



# SEEKING EQUITABLE ACCESS TO FARM ANIMAL HARVESTING FOR SMALL FARMS

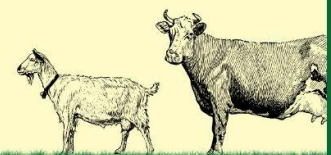
*A Market Study for New Government-Inspected Services in South Texas*

Funded by Padilla Farms LLC (Harlingen, Texas)

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## EXECUTIVE SUMMARY

Padilla Farms, LLC is a farm in Harlingen, Texas in the four-county Lower Rio Grande Valley of the southernmost region of the state. It hired Soluciones Consulting in December 2021 to conduct a South Texas agricultural market study for a project funded through a grant awarded to Padilla Farms by the USDA Agricultural Marketing Service (AMS) under the Regional Food Systems Partnerships (RFSP) Program.<sup>1</sup> The purpose of the market study was to evaluate the lack of local access to government-inspected farm animal slaughter and processing services.

For years, Padilla Farms and other small farms and ranches in the Lower Rio Grande Valley along the Texas-Mexico border have endured lack of local access to services. Specifically, they must transport their animals 225 miles one way to Poth, Texas (southeast of San Antonio) to access USDA or state government-inspected services. Farmers must then incur the expense and time of making a second trip to pick up meat products from one of two processors located in that small rural community in Wilson County.

What was not known was whether other farmers and ranchers in the other 21 counties south of San Antonio<sup>2</sup> faced this same burden. Accordingly, the scope of the study was expanded to evaluate the other regions that comprise “South Texas” beyond the Rio Grande Valley. This broader evaluation would enable a more comprehensive review of potential sites for future processing sites if the need for services was verified to support the operation of a future site or sites. In addition, the evaluation would enable a fuller assessment of the potential for small producer collaboration through a farmers’ cooperative or other type of partnership.

Below is a map distinguishing these regions of the 25 county-region south of San Antonio. The study used four regions to facilitate discussion in the study. The counties that comprise these geographic regions have proximity to each other, share common physical and landscape features, share commonalities of interest in farming and ranching, and have similar challenges to access services related to agricultural production.

Normally, all areas south of San Antonio including San Antonio itself have historically used “South Texas” to describe themselves. The names selected for these distinct regions distinguish each other through a name used historically for that region or was created for this study to describe the geographic location of the counties that comprise the region. Map 1 below illustrates these distinct regions.

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<sup>1</sup> Award# AM21RFSPTX1011-00.

<sup>2</sup> Even businesses, public leaders, and the public in San Antonio describe themselves as “South Texas” even though geographically the city is located in what is more accurately described as Central Texas.

Map 1. South Texas Area of Study

# SOUTH TEXAS AREA OF STUDY



## CURRENT ACCESS TO SERVICES

Map 2 below illustrates the current businesses that provide government-inspection services for the slaughter *and* processing of farm animals.<sup>3</sup> Farmers that raise animals for meat production to sell their meat products must use one of these sites or a site located elsewhere in Texas. Further details are provided in Table 1 below to identify where a smaller producer can receive services.

*Map 2. Current Government-Inspected Services*

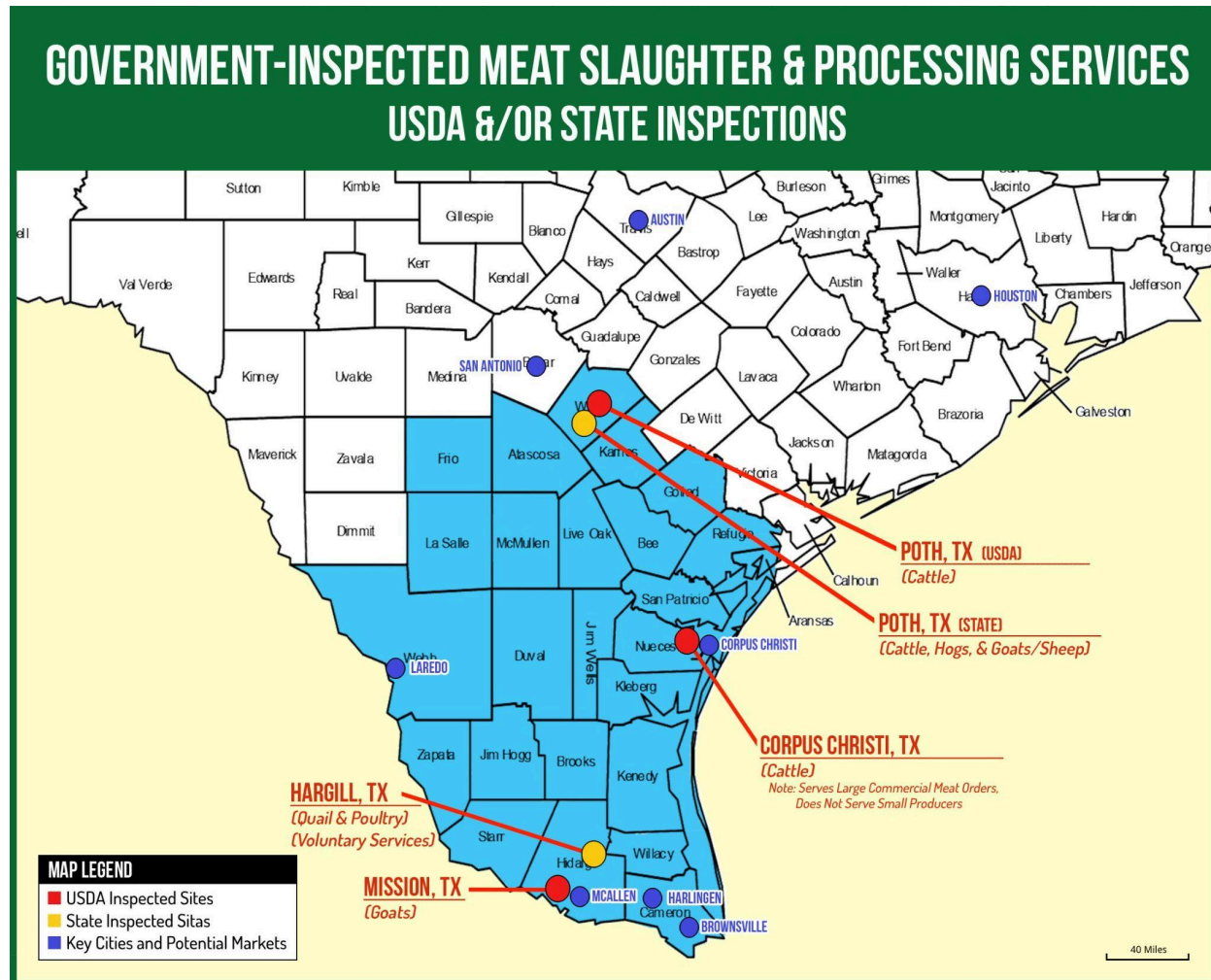


Table 1 summarizes the services that are available at the sites. Highlighted in red below are the two principal sites used by smaller producers that wish to sell meat products either in Texas or outside of Texas (if they use the USDA inspected site) or only in Texas (if they use the State-inspected site).

<sup>3</sup> The map does not show USDA-approved sites that provide processing services only. Such sites currently are not approved to slaughter animals, which is a principal service that small producers are seeking to access more equitably in South Texas.

*Table 1. Current Government-Inspected Services Used by Small Farmers*

<b>Inspections</b>	<b>Govt. Agency</b>	<b>Slaughter</b>	<b>Processing</b>	<b>Provides Services for Smaller Producers?</b>	<b>Farm Animals</b>
Dean & Peeler Meatworks  Poth, TX, Wilson County	USDA	✓	✓	Yes	Cattle
South Texas Beef  Corpus Christi, TX, Nueces County	USDA	✓	✓	No	Cattle
Cabrito Market  Mission, TX, Hidalgo County	USDA	✓	✓	Yes	Goats
Wiatrek's Processing  Poth, TX, Wilson County	Texas DSHS*	✓	✓	Yes	Cattle Hogs Goats Sheep
International Magsa**  Hargill, TX, Hidalgo County	Texas DSHS*	✓	✓	Yes	Quail

\* *Texas Department of State Health Services*

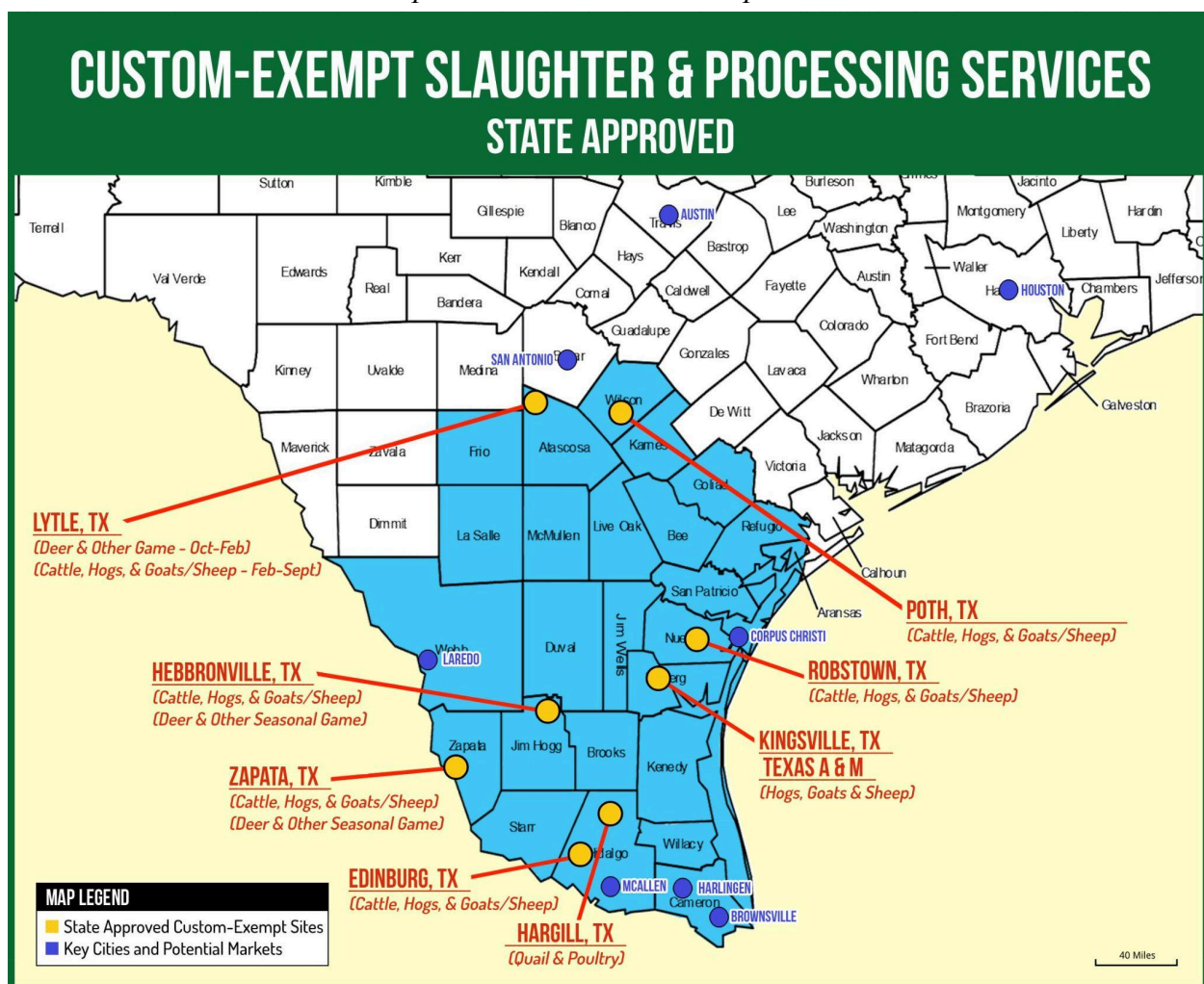
\*\* *Operations at this facility were temporarily suspended by the owner.*



Farmers can also access slaughter and processing services at custom-exempt slaughter and processing businesses if the meat products will not be sold and instead be consumed by the animal owner. Map 3 below shows the location of these custom-exempt state-approved sites.

As indicated on the map, it should be noted that access to even these custom exempt services can have seasonal limitations. Those sites located in counties where substantial deer hunting takes place suspends services during the annual October-February hunting period. As a result, small farms that raise animals for harvesting must plan accordingly for storage of meat products knowing that this custom-exempt slaughter and processing services during these approximately 5 months will be limited or not available at all.

*Map 3. Current Custom-Exempt Sites*



## Population of Smaller-Scale Producers

The number of beef cattle producers was reviewed in the 25 counties to measure the number of smaller-scale producers and their distribution in South Texas. The USDA defines a small farm as an operation with gross cash farm income under \$250,000. This definition was not used for this study. Some operations may be smaller but produce meat products that yield higher profit margins. Thus, the size categories by number of operations/farms was deemed more useful for this market analysis.

2017 Census data maintained by the USDA breaks down beef cattle operations by the number of heads held by the producer. For purposes of this study, farmers that hold from 10-19 heads are considered as small producers.<sup>4</sup> However, the analysis of the data was extended to those producers that hold up to 49 cattle to account for the regional differences in what is considered as “small” among producers.

Here are highlights of this review of USDA data.

- **Highest Number of Small Farms Closer to San Antonio.** Regionally, the South Central Plains (comprised of 7 counties) closer to San Antonio had the highest number of small producers (1,240). In the higher category of 20-49 heads, the South Central Plains also had the highest number (1,387) of farms and ranches. As indicated above in Map 2 and Table 1, the only USDA inspections slaughter and processing site that serves small producers in South Texas is located in Poth in Wilson County in this Region.
- **Coastal Bend had the Second Highest Number of Small Farms.** The Coastal Bend Region (comprised of 10 counties) along and close to the Texas Gulf Coast had the second highest number of small farms (853). It also had the second highest number of farms with 20-49 heads (803).
- **Small Farms in the Lower Rio Grande Valley.** For operations with 10-19 heads the Rio Grande Valley (comprised of 4 counties) had 560 farms. It had 484 farms with 20-49 heads. Among the four counties, Starr County had the highest number of small farms under both categories (230 and 262, respectively).
- **Small Farms in Border Plains.** The four-county Border Plains Region had 501 small farms with 10-19 heads and 452 farms with 20-49 heads. Among the four counties, Duval County had the highest number of small farms under both categories (281 and 189, respectively).

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<sup>4</sup> Farmers with 1-9 heads are considered hobby farms. However, some still seek government-inspected services. This need was verified in the surveys collected for this study.

- **Counties with Highest Number of Small Farm Operations.** The counties with the highest number of small farms were the following:

*Table 2. Counties with Highest Number of Small Beef Cattle Farms*

10-19 Heads	Region	20-49 Heads	Region
1. Wilson - 454 farms	South Central Region	1. Wilson - 461 farms	South Central Region
2. Duval - 281 farms	Border Plains	2. Karnes - 288 farms	South Central Region
3. Karnes - 247 farms	South Central Region	3. Atascosa - 271 farms	South Central Region
4. Starr - 230 farms	Lower Rio Grande Valley	4. Starr - 262 farms	Lower Rio Grande Valley
5. Goliad - 227 farms	Coastal Bend	5. Goliad - 249 farms	Coastal Bend

### Surveys of Producers

To assess the extent of need for additional government-inspection services for the slaughter and processing of farm animals, an anonymous bilingual survey was distributed and advertised in the 25 counties. The 10-question survey queried about the producer's farming activities and their need for services. A sampling of 30 surveys was received from half of the counties. As expected more surveys were received from counties with larger populations. This was explained due in part to the larger distribution volumes for newspapers from larger population counties compared to rural counties that had small distributions.

Below are highlights of the survey responses that are pertinent to the purpose of the market study.

#### *Survey Query: Distance Willing to Transport Animals to Access Government-Inspection Services*

- 48% of respondents stated 50 miles or less.
- 21% of respondents stated 75 miles or less.



*Survey Query: Why Farmers Need Access to Government-Inspection Services*

- 22% of respondents stated to Sell at a Farmers Market or Other Public Venue.
- 18% of respondents stated to Sell at Own Farm.
- 22% of respondents stated For Own Consumption Only. This indicates a need for additional custom-exempt services for farmers that do not intend to sell their meat products.

*Survey Query: Rio Grande Valley Farmers with Greatest Distance to Travel for Services*

As explained above, the impetus for this study was to evaluate the burden that farmers from the Rio Grande Valley have to overcome to access government-inspection services for harvesting of farm animals. Small farms based in the Lower Rio Grande Valley must travel the longest distance (225 miles one way) to transport their animals to a USDA inspection facility in Wilson County southeast of San Antonio in Central Texas. Below are two key highlights:

- The respondents averaged 4 visits per year to access slaughter and processing services.
- The respondents averaged 12 animals transported per year.

*Survey Query: Size of Farms*

The results for this survey question showed higher numbers for both ends of the size scale. The large farms outside of the border region appear to have skewed the results. However, among Rio Grande Valley respondents, the respondents were more consistent with the US Census demographic data for small farm operations.

- 20% of all respondents had farms 5 acres or less.
- Among Rio Grande Valley respondents, 24% had farms of 5 acres or less.
- 23% of all respondents had farms larger than 200 acres.

*Survey Query: Types of Farm Animals*

- 41% of respondents stated that they raised cattle.
- 19% of respondents stated that they raised chickens.
- 15% of respondents stated that they raised hogs.
- Among Rio Grande Valley respondents, 32% stated cattle; 21% stated chickens, and 18% stated hogs.

## **Potential Sites for New Processing Sites**

The study set out to identify what potential sites are available to develop into government-inspected businesses that can provide services closer to the farms and ranches in surrounding counties in that particular Region. This involved the author visiting sites where farm animal processing is already taking place but for personal consumption (i.e., custom-exempt sites). As explained above, these latter sites have met requirements for safety and operations to process animals for clients that will not sell the meat products but will consume themselves. These sites do not use government inspectors on site during the performance of slaughter and processing services. As explained further below, only one of the existing custom-exempt sites (in Robstown in the Coastal Bend Region) expressed an interest in upgrading its facility to apply for USDA-inspected status.

In evaluating potential sites, several factors were considered. For example, one was whether any current farms are planning to launch a new facility that offers government-inspected services for smaller farms. Another consideration was whether an existing custom-exempt site was able and willing to invest in its infrastructure to become a government-inspected services site.

### ***Lower Rio Grande Valley***

The Region has the largest population of all South Texas Regions with 1.4 million people. Three of its four counties are located on the Texas-Mexico border. Its largest urban areas are the McAllen metropolitan area and the Harlingen-Brownsville corridor.

The Region does not have a USDA-inspections facility for livestock. The Region has one USDA-inspections facility in Mission, Texas (Hidalgo County). However, it only slaughters and processes goats. The Region has one state-approved site in Hargill, Texas (Hidalgo County) but can only process its quails and intends to develop the capability to process small animals such as other poultry, rabbits, and goats. The site is located in a remote rural area of the county and has available land for expansion if it chose to construct an expanded site to launch a facility for cattle and hogs. As indicated in Table 1 above, though, the owner has temporarily suspended operations.

#### **Padilla Farms (Harlingen, Cameron, TX)**

Padilla Farms of Harlingen, Texas (Cameron County) raises cattle, hogs, chickens, goats, and other farm animals. It is a 75-acre urban farm located in the southern area of the city that, despite being within the city limits, has a landscape that is rural in its composition. Surrounding properties, similar to the Padilla Farms, now compete with urbanization growth within a 5-mile radius comprised of single-family home subdivisions and apartment complexes. The farm owners submitted a grant application in November 2023 with the US. Department of Agriculture

under its Meat and Poultry Processing Expansion Program (MPPEP) for funds to pay for 30% of a proposed \$1.1 million slaughter and processing facility that it wishes to construct on the farm. If awarded the grant in 2024, the farm is committed to secure the remaining 70% project cost.

#### Texas Green Growers CSA Cooperative

Padilla Farms secured commitments from ten farmers from five different counties to use the prospective new facility if constructed. The producers also committed to participate in the Texas Green Growers CSA Cooperative organized by the nonprofit organization, HOPE for Small Farm Sustainability, to feature more locally harvested products for direct-sales-to-consumers networks designed by HOPE for local and statewide supply networks. Five of the farmers are also involved with efforts described next to form a livestock cooperative.

#### RGV Livestock Cooperative

A group of farmers and ranchers that raise cattle in South Texas is forming a nonprofit cooperative through the assistance of the Texas Rural Cooperative Center of the University of Texas Rio Grande Valley (UTRGV). The group has taken steps to establish the organization as a nonprofit cooperative from counties in three of the study's regions (Rio Grande Valley, Coastal Bend, and Border Plains). It will continue to conduct meetings in 2024 to define start-up and operational costs. At the same time, it will develop strategies to determine the best marketing platforms to pursue. The group aims to construct a new facility at a location to be determined. It does not wish to convert an existing custom exempt facility into a government inspections site.

#### Regional Coverage of a New Facility

Since 50 miles was the preferred maximum miles to transport animals, a facility based in either Hidalgo or Cameron County would satisfy this mileage distance for any producer in any of the four counties of the Region.

### ***Coastal Bend***

Corpus Christi is the Region's largest urban area of this Region. None of the counties are located on the border. Half of the ten counties are located on the Gulf Coast.

The Region has one USDA-inspections facility in Corpus Christi, Texas. However, the large plant processes only large commercial orders for cattle; it does not serve small producers. The Region has no state-approved sites for the slaughtering and processing of farm animals.

#### Scarborough's Custom Plant (Robstown, TX, Nueces County)

The Region has a state-approved custom exempt slaughtering and processing facility in Robstown that may be a candidate to convert into a USDA inspections facility. The site has been in operation for generations by the same family. Discussions with the owners reveal that they

have mixed feelings about regaining inspections status that it had years ago. However, there is some interest to reestablish that level of service if appropriate resources are made available in the future to support its conversion to USDA inspections status.

### Regional Coverage

The location of the custom exempt site is at a remote farming community named Banquete but with a Robstown address. The site is located between Alice in Jim Wells County and Robstown in Nueces County. It is centrally located in the Coastal Bend region. Its location would give producers in all 10 counties that comprise the Region with access to a government inspections facility within 50 miles. It even offers proximity within 50 miles to two farming counties to the west in the Border Plains Region.

### ***Border Plains***

Two of the Region's four counties are located on the Texas-Mexico border. The largest urban area is Laredo on the border opposite Nuevo Laredo, Mexico. The Region has no USDA or state inspections facility for slaughter and processing services.

### Cuatro Hermanos Meat Market (San Diego, TX, Duval County)

A new meat market business in the remote small city of San Diego, Texas expressed an interest in establishing a slaughter and processing facility based in Duval County. However, it has more interest in a custom-exempt facility to meet the needs of area farmers. The owners see a greater interest in farmers having processing services for their own farm animals. They do not see substantial market needs in that sparsely -populated region for government-inspected meats.

A facility in this community would enable services to be provided within 50 miles for much of the geographic area represented by the four counties that comprise this region. In addition, the region would enable services to be provided to approximately 6 of the 10 Coastal Bend Region counties. However, as stated the proprietors are not interested in offering government-inspected services at a new slaughter and processing facility. If they pursue the project, they intend to offer-custom exempt services for area farmers that wish to have animals harvested for their own consumption.

### Potential of Laredo and Webb County for New Facility

Webb County, where the border city of Laredo is located, is another county to consider for a new facility. The City of Laredo anchors the county, providing a market for government-inspected meat products. It also benefits from significant food and dining sales to Mexican nationals. Laredo has over 20 cold storage facilities that are certified by USDA to handle and forward exports and imports of meat and poultry. Three sites are USDA approved for processing of meats and poultry (but not slaughter). These businesses are relevant for a potential labor force to

support a future facility if it were based in Webb County. The employees because of their familiarity with meat products may be good candidates to recruit and train in meat processing skills required to work at a new slaughter and processing facility.

### **South Central Plains**

None of the seven counties have a large urban community. All are sparsely populated but collectively account for the largest number of small producers. All are situated within 50 miles of San Antonio (population 1.5 million) and its substantial market for meat products.

#### Only Region with Adequate Access to Services

The Region has both a USDA and state inspections facility. Both are located in Poth, Texas and both are the go-to facilities for South Texas small farmers. The USDA-approved site processes cattle, while the state-approved site processes cattle, hogs, and goats/sheep. Farmers in all seven counties that comprise this Region have the most immediate access within 50 miles to services in Poth due to their proximity. Additional inspection facilities are located in adjacent counties outside of this Region (and also within 50 miles).

Thus, beef cattle operations have greater choices for slaughter and processing needs if they operate in any of the seven counties that comprise this Region. Not surprisingly, no interest was identified for the establishment of a new inspection facility in this Region.

### **Challenges and Limitations**

The study outlines several challenges to be taken into account before any project is undertaken to establish a new government inspections harvesting site. Below are several highlights:

#### *Capital Expenses to Launch a New Site*

The start-up costs to construct and equip a small government-inspection facility is approximately \$1 million. The cost would be higher if land has to be acquired. This is a formidable amount for one small farmer. It is still a formidable amount for a group of smaller farmers and ranchers to collect to collaborate to share the risk when amounts of investment by all collaborators has to be set and secured. As noted below, government construction and expansion grants have recently become available to provide more slaughter and processing services. However, in the latest and second round of this USDA funding opportunity the amount of the grant was limited to up to 30% of the project cost. Securing 70% of a \$1 million project cost will still require substantial capital and solid financing standing to secure such financing.

### *Consistent Supply of Animals to Harvest*

For a small facility, annual operating expenses to operate a small facility are approximately \$450,000 assuming 4 personnel are hired. This assumes a minimum of 10-15 cattle per week supplied by farmers in addition to a mix of other types of farm animals to meet monthly income goals.

A small farm that normally owns 10-19 heads of cattle will be unable to supply enough animals. Thus, commitments or business relationships with an adequate number of producers within a 50-mile radius will be required to sustain operations to achieve the minimum weekly number and mix of farm animals.

As mentioned above, Padilla Farms organized such a nucleus of producers to express their intention to use the proposed new slaughter and processing facility if constructed. Thus, they have demonstrated already that sufficient animal commitments can be secured from current small producers for a new facility in the Rio Grande Valley region.

### *Labor Supply and Equipment*

Personnel from similar businesses, such as butchers and meat markets in the vicinity, need to be trained and recruited to work at a new facility. The alternative is to invest in personnel to be trained at a college or university program such as Texas A&M-Kingsville in the Coastal Bend Region.<sup>5</sup> Under the second option, a new facility owner would have to invest in personnel to be trained prior to the launch of a new facility to ensure that they are ready to provide services as soon as a new facility opens.

Specialized equipment and tools for a slaughter and processing facility need to be ordered with adequate lead to ensure delivery prior to or soon after completion of construction of the physical structure. Equipment manufacturers continue post-COVID to catch up to meet supply product orders, particularly for specialized equipment such as that required for a farm animal harvesting site.

### *Learning Curve for Farmers and Ranchers to Sell Meat Products*

The Census producer statistics demonstrate that there are adequate numbers of beef cattle producers that could supply animals to a new facility. However, many are used to selling their animals at auction houses or to large suppliers of beef cattle. The impetus for such sales is to meet the costs of raising the animals. Thus, to recruit such farmers as customers for the new facility, they must adopt a new business model orientation in their farm animals planning. Specifically, this means attempting to sell meat products online or on a retail or wholesale basis, which requires the application of new sales and marketing skills. In general, producing meat for

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<sup>5</sup> <https://www.tamuk.edu/agriculture/research/usdahsgrants/MEATS.html>



this method of business requires the adoption of a different set of business and farming considerations.

That new mode of business planning for farm animals also requires new business relationships with customers, new marketing investments, new packaging and perhaps storefront investments by the small producer (unless the products are offered for sale at the retail storefront of a new processing facility). These factors require new cost-profit calculations to ensure that a target profit margin is achieved by the small farm producer.

Nonprofit organizations that have been funded by USDA under several technical assistance and farmer counseling programs are available to assist producers. These funded organizations offer year-round support, webinar, in-person training, and other activities to develop these types of business skills.<sup>6</sup>

## **Opportunities**

However, the study outlines several opportunities that would support the development of a project to establish a new government inspections harvesting site. Several of these opportunities are highlighted below:

### *Establish a Safety Net of Local Products for Food Supply*

COVID unveiled the vulnerability of our food supply chains when a national crisis disrupts the standard networks of distribution of all food products. Large grocery stores had no answers for customers once supplies were exhausted during COVID in 2020-2021. Shoppers were particularly alarmed when meat products and dairy products were not available for days. Across South Texas locally based farms that could supply these products quickly and continuously exhausted any products they were able to sell.

In the status quo, households remain at the mercy of large grocery stores to ensure they truck into the region adequate supplies to feed families. In any future crisis that disrupts the supply of meat products for homes, the operation of a new government inspections facility plus the projected number of farm animals supplied by local farmers will ensure that proteins continue to be available during any supply chain crisis. Because products would be sold to consumers, access to government inspection harvesting services is essential.

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<sup>6</sup> Nonprofit entities such as HOPE for Small Farm Sustainability and the Texas Rural Cooperative Center of the University of Texas Rio Grande Valley offer no-cost technical assistance services throughout the Rio Grande Valley Region..

### *Increased Texas Urban Demand for Locally Raised Products*

Farmers markets in the largest urban metropolitan areas of Texas – Houston, San Antonio, Austin, and especially Dallas – seek Texas-grown produce, meat products, dairy products, and value-added products. This includes South Texas products that can sell at a premium at those venues.

The operation of an additional government inspection facility would increase the availability of South Texas meat products that can be sold to consumers or restaurants at these urban markets. In addition, the South Texas region that is the subject of this study has three main urban areas that are closer to area farmers. The Lower Rio Grande Valley has a combined population of 1.4 million, Corpus Christi has 316,239, and Laredo has 256,187. All of these areas offer smaller farmer markets and other buyers of locally raised meats.

### *Opportunity for Small and Hispanic Farmers and Ranchers to Collaborate*

The lack of access for services in South Texas provides the opportunity for a collaborative of smaller farmers and ranchers to collectively establish a new facility. This approach provides the opportunity to share the risk of investment to ensure adequate commitments of animals every month to be harvested and processed.

The new Rio Grande Valley Livestock Cooperative that is forming to ultimately establish a meat slaughter and processing facility holds promise. It will represent a test case on whether smaller producers in this Region and from other South Texas counties can effectively garner the necessary investments and efforts to start a new facility. It will also instruct other farmers what mix of animals will best enable the facility to succeed. The Padilla Farms' proposal for a new facility to be established in Harlingen also holds promise; it is the only project in the region that has proceeded to the next step to apply for federal grant and bank funding to construct a new facility. The Livestock Cooperative and Padilla Farms could coordinate their plans as well depending on whether USDA awards Padilla Farms a MPPEP 2023-2024 grant.

It is commendable that USDA has been investing millions to assist socially and economically disadvantaged farmers, such as Hispanics. 20 of the 25 counties in the study's geographic scope are majority Hispanic; 12 of the 25 counties have populations of over 75% Hispanic or Latino origin while 7 of the 25 counties have Hispanic populations of 90% or more. Thus, this opportunity to support a collaboration centered around government-inspected services has the potential to improve the economic wellbeing of Hispanics in agriculture in South Texas.

### *Opportunity in Innovation through Multi-Regional Collaboration: HUB Aggregator*

Under the status quo, the government inspections sites in Poth, Texas in Wilson County in the northeastern end of the study's four-region South Central Plains area serves as the de facto sole processor for government-inspected services for all of South Texas' small farms. However, it is not located centrally. It is located closer to San Antonio than to the rest of South Texas. The seven counties that comprise the South Central Plains are adequately served for government inspection services in Poth. However, the 18 counties of the other three Regions are underserved.

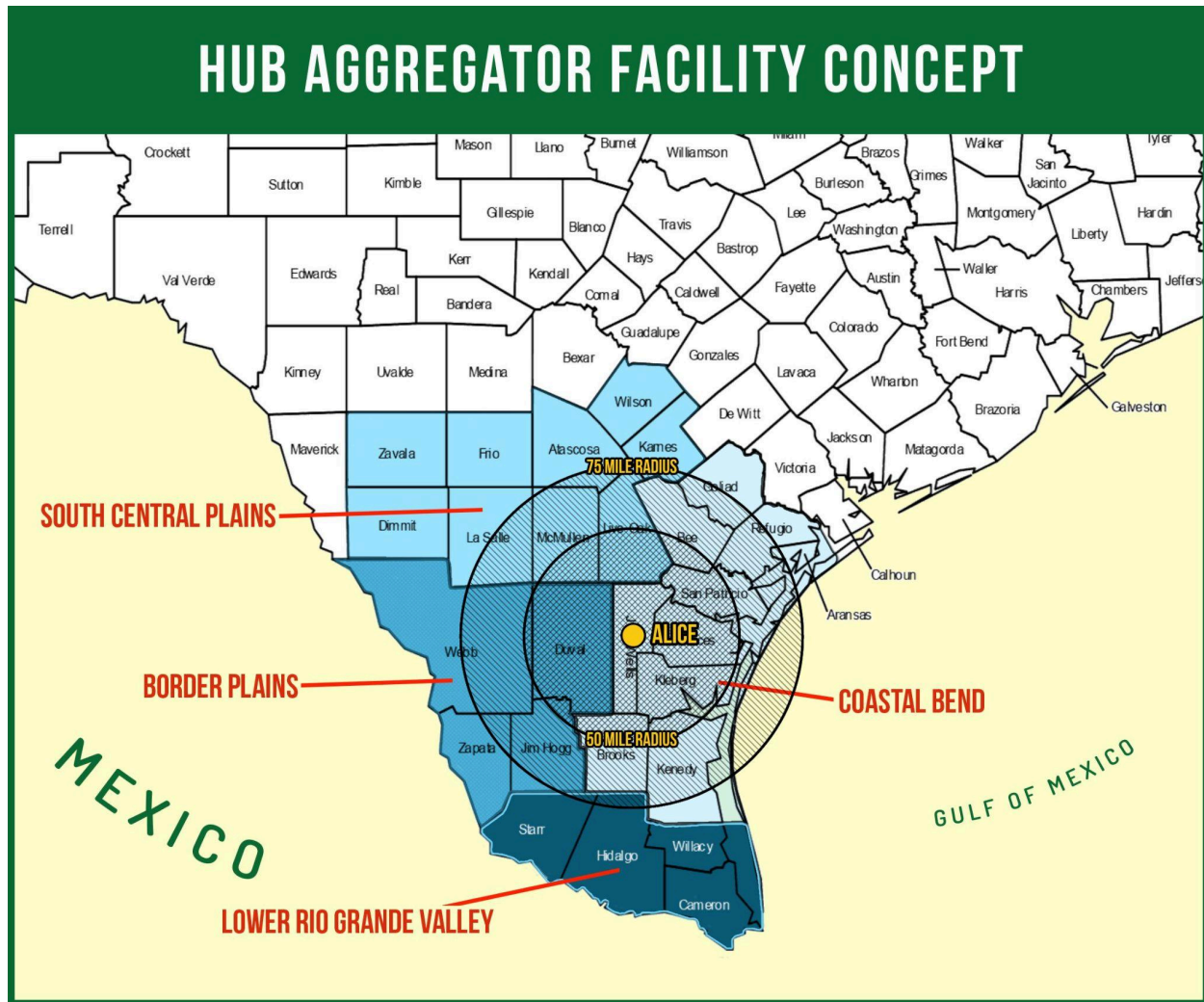
Thus, an alternative strategy would be to aggregate farm animals from the other three Regions at a South Texas geographically centrally located site. A facility would be established in a county that would maximize coverage of counties within a 50-mile radius (the preferred travel distance by survey respondents) or a 75-mile radius (the second preferred travel distance by survey respondents).

Looking at the counties, two counties provide strategic locations to maximize proximity to the greatest number of counties.

#### Alice, TX in Jim Wells County

As shown on Map 4 below, under a 50-mile radius, 10 of the 18 underserved counties would be served. Under a 75-mile radius, 16 of the 18 underserved counties would be served. The City of Alice is the county seat and is located at the intersection of two principal highways (State Highway 44 and State Highway 281/future interstate) that are used by personal and commercial traffic traveling in any direction in Texas. Alice is also the site of the Gulf Coast Livestock Market livestock auction site for all surrounding counties. It conducts weekly auctions for multiple types of farm animals and serves as a nexus for farm animal owners putting their animals up for sale.

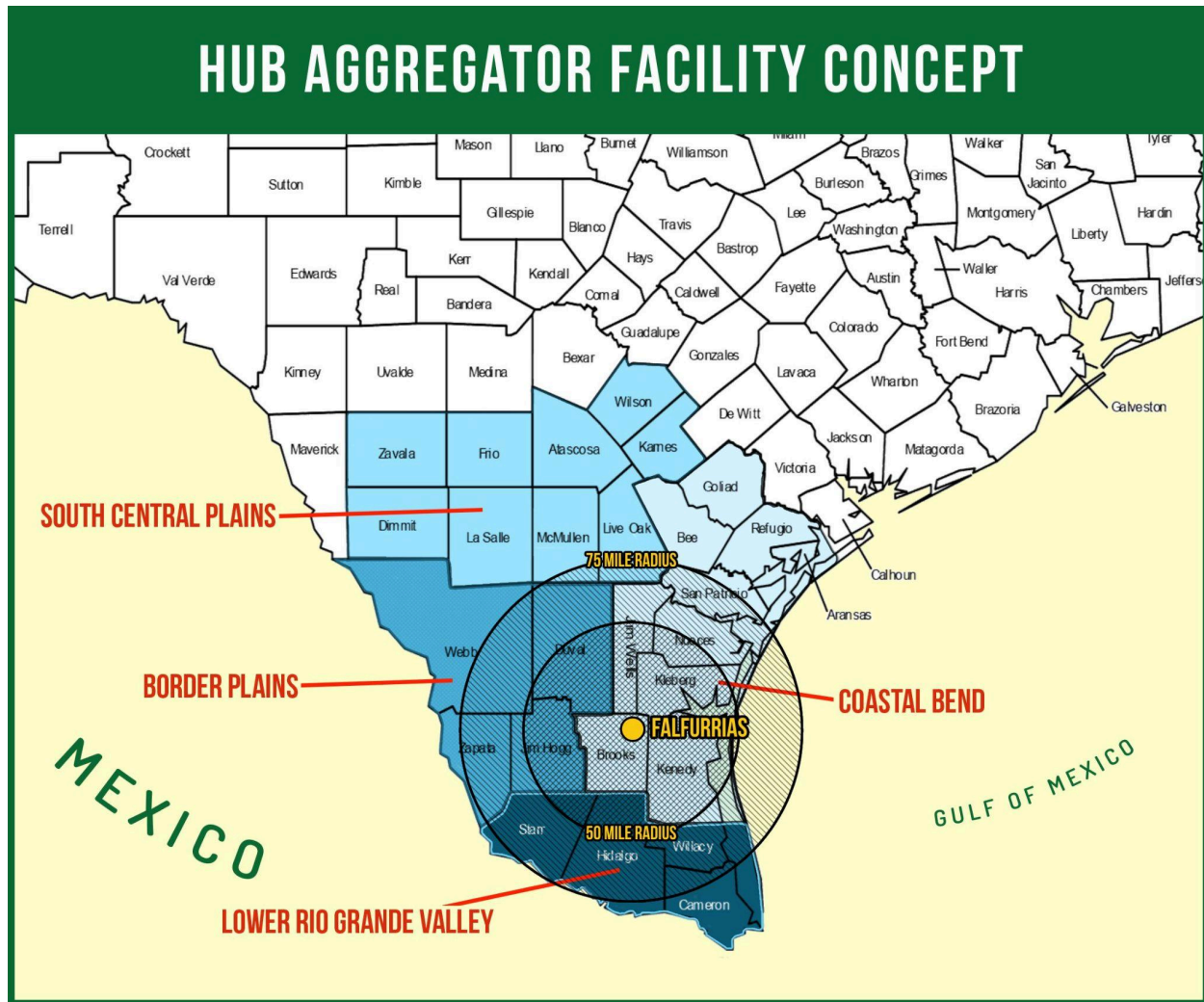
Map 4. Alice, TX Location as HUB Aggregator



#### Falfurrias in Brooks County

Under a 50-mile radius, 11 of the underserved counties would be served. Under a 75-mile radius, 14 of the underserved counties would be served. The City of Falfurrias is the county seat and is located at the intersection of two principal highways (State Highway 285 and State Highway 281/Interstate 69C). Falfurrias's location closer to the Rio Grande Valley ensures that all four counties that comprise this high population border area is served by a regional South Texas government inspection facility. Brooks County is a rural farming county that is surrounded by similar counties that are sparsely populated and focus on cattle ranching as the principal agricultural activity.

Map 5. Falfurrias TX Location as HUB Aggregator



Highlights of this hub concept include:

- Facility would be developed by a cooperative of producers from the three underserved regions.
- Facility would employ a lead Aggregator per Region to recruit and secure farm animal commitments for the slaughter and processing facility.
- Facility would employ or contract with marketing personnel to encourage farm animal owners to commit animals for retail and wholesale customers identified by the Hub.
- The producers in each region would contribute toward the cost of marketing and sales services for the products of that producer.
- As collaboration increases so will the opportunities to share market information, labor market information, and farm animal production best practices, among other areas.

- In return for placing the site in Alice or Falfurrias, the cooperative would solicit an incentive investment from the corresponding county and/or municipal government program that can financially support new business development.

The aggregation of animals in a HUB facility also reduces the risk of seasonal lows in the number of animals to be processed. The fact that animals would be supplied by three different regions increases the ability of the processor to keep its employees hired and to continue to cover operations costs.

### *Federal Investments in New Harvesting Sites*

The consolidation of services by large plants has continued in the United States. At the same time, smaller farmers with a smaller number of animals to harvest continue to need access to government-inspected services if they wish to contribute their meat products to the food supply. The USDA has recognized this market reality and has invested in meat and poultry processing sites to expand capacity and access to producers of all sizes through the Meat and Poultry Processing Expansion (MPPEP Program) and through the Meat and Poultry Intermediary Lending Program. In Phase I, the Department awarded nearly \$150 million in grants and loans to processing site projects. In Phase II, it made available \$123 million.

The required applicant match for Phase I was 80% of project costs (thus grants were available for 20% of the project cost). For Phase II, the applicant match requirement was 70% of project costs (thus grants were available for 30% of project costs).

Such a match/grant allocation can act as a disincentive for socially and economically disadvantaged farmers and small farms in general to collaborate to plan and launch a new site project. If the grant award potential is increased for future funding opportunities, USDA grant funding can more realistically ensure that concepts for new processing sites become a reality.

### **Conclusion**

The federal government's investments in farm animal slaughter and processing projects is laudable. It has acknowledged that the access or playing field for small producers of domestic meat products is not level with large suppliers that have ready access to large meatpacking plants.

South Texas small farmers wish to do their part to feed Texas and feed other communities in the US. They take pride in raising their animals knowing that they will play such a critical role in our food system. They take pride in producing excellent domestically raised meat products. They take pride in continuing the practice of agriculture in an era when farming families are continuously tempted to give up their lands to urbanization.



Hispanic farmers comprise the majority of small farm owners in the South Texas area of study of 25 counties. As a result, they are disproportionately burdened by the lack of local access to government inspected services. Thus, there is urgency to support farmers that collaborate to plan and invest together to address this disparity and increase the supply of locally harvested proteins for Texas and American consumers. This USDA-funded study is offered to provide market insights and regional considerations to execute successful projects for new government approved services.