

MISSION WEST COOPERATIVE DEVELOPMENT CENTER

BUILDING A LOCAL POULTRY ECONOMY

A CASE STUDY ON THE MONTANA POULTRY
GROWERS COOPERATIVE AND THE COOPERATIVE,
SMALL-SCALE, INSPECTED POULTRY PROCESSING
PLANT



CATIE DEMETS

AUGUST 2017

August 2017

This report was researched and written by Catie DeMets, Masters Student in Environmental Studies at the University of Montana, with support from Mission West Community Development Partners' Cooperative Development Program Manager, Brianna Ewert, and funded through a USDA Rural Cooperative Development Grant.

Mission West Community Development Partners (previously named Lake County Community Development Corporations) established a Cooperative Development Center in 1999 under funding from USDA-Rural Development's Rural Cooperative Development Grant (RCDG). As one of two cooperative development centers in the state of Montana, LCCDC provides resources, education and technical assistance to existing and developing cooperatives. Find more information about the Mission West Community Development Partners and the Cooperative Development Center at www.missionwestcdp.org.

Cover: Pasture-raised poultry, such as these chickens housed in moveable coops at Living River Farm in Stevensville, Montana, can now be processed within the state thanks to a new packing facility built and operated by the Montana Poultry Growers Cooperative (mtpoultrycoop.com).

Photos courtesy of Living River Farms.

INTRODUCTION

The Montana Poultry Growers Cooperative (MPGC) was established in 2006 to provide shared resources that support poultry production and processing and, in turn, help develop the state's local food economy. Until 2015, the co-op's primary functions were collective feed orders and three sets of shared-use processing equipment. In late 2015, with financial support from the Montana Department of Agriculture's Growth Through Agriculture program and the Montana Farmers Union, the co-op began construction of a small poultry processing facility in Hamilton, Montana, which is now open for use by co-op members. While the previous functions of the co-op remain significant services for members, the facility alleviates a bottleneck in Montana's local poultry industry by providing the state's first and only multi-user poultry processing facility under inspection. This research explores the primary challenges for poultry growers before the facility's existence, barriers during construction of the facility, and assets for the MPGC in overcoming those barriers. This report summarizes research and results of in-depth interviews with co-op members and key partners, points out key lessons learned through the process of cooperatively establishing a facility, and discusses some next steps for the MPGC. The aim of this report is to be shared with co-op members and partners, as well as others interested in establishing a rural, cooperatively owned poultry processing facility.



A BRIEF HISTORY OF THE MONTANA POULTRY GROWERS COOPERATIVE

The MPGC was established in 2006, with six poultry growers comprising its membership. Originally, they came together to meet a few key needs for poultry growers in Montana, a state which poses many challenges for producers due to long distances between population centers and lack of existing infrastructure for poultry production. As a new cooperative, members invested in two key services. First, they developed a collective feed ordering service, which allowed them to buy feed in bulk at dramatically reduced prices. Second, over time, they purchased three sets of shared-use processing equipment. These were distributed to three relatively central locations around Montana (Ronan, Great Falls, and Livingston) to enable members to access equipment that was fairly close to them. Members could rent the equipment and either transport their birds to the farm that housed the equipment for processing or bring the equipment to their own farm for processing. This equipment provides a relatively easy and flexible option for members who want to process their birds for personal consumption. The shared-use equipment is not, however, a viable choice for growers hoping to increase their production and sell birds because it does not qualify for an inspection exemption, which would permit them to sell to some limited markets.

In order to address this need, the MPGC received a grant in 2007 to pilot a mobile processing unit that could travel around the state to members' farms for processing. The mobile unit allowed producers with a limited number of birds to process under the 20,000 bird exemption, enabling producers to sell their birds. Under this exemption, up to 20,000 total birds per year processed in the mobile unit could legally be sold. By definition, the exemption signified that a state poultry inspector came quarterly to inspect the facility, but was not present during every processing event. On the other hand, a processing facility designated as "state-inspected" indicates that a state poultry inspector is present during every single processing event. This distinction is what separates all "state-inspected" birds from "exempt" birds for saleable purposes. Most commercial buyers have policies allowing only state-inspected poultry; thus, even though the exemption enabled growers to legally sell their birds at farmers markets and other direct sales to individuals, the mobile unit did not provide a truly viable model for growers hoping to expand their enterprises significantly.

Even so, the mobile unit provided an important function for home-scale and micro-industry poultry growers as a point of entry. Unfortunately, it experienced significant wear due to inefficiencies in cleanup, individual use by a combination of experienced and inexperienced poultry growers, and most substantially, the long distances—up to 500 miles one way—that

it had to travel between user-members across the state. As a result, the mobile processing unit was eventually dismantled in 2012. Although it proved not to be viable for serving a statewide membership, MPGC members and partners discussed the potential for this model to be used in more densely populated, geographically limited contexts. The retirement of the mobile unit left a significant gap in processing options for MPGC members and other poultry growers around the state. MPGC members and partners came together to fill this gap and, through the creation of a brick and mortar processing facility, opened new possibilities for establishing a local poultry economy.



THE PROCESSING FACILITY

In 2014, three poultry growers in the Bitterroot Valley, each seeking to expand their poultry operations, banded together to find a way to build a facility that more than just a single poultry grower could legally use. At that point, state law said that a state-inspected facility must be owned by a single entity, who must also be the sole user. Whereas the mobile unit's exempt status was not ideal for creating market opportunity, the exemption did allow for multiple producers to use the facility; this was not the case for a state-inspected facility. There was no specification regarding the owning entity, so the growers proposed that if MPGC was the entity who owned the facility, any member of MPGC would then be legally entitled to use the facility. This was essential not only because it would enable the processing of more birds for legal sale to wholesale and retail markets, but also because the cost for a single poultry grower to build a facility was prohibitive.

Cooperative ownership of a poultry processing license had never been tried in Montana, so the legal details required significant discussion with the state's Department of Livestock. Once they agreed that this licensing procedure was legal, the MPGC worked with Jan Tusick, director of the Cooperative Development Center at the Lake County Community Development Corporation (LCCDC), to secure funding for a facility. The co-op drew from a variety of funding sources to build the facility. First, they raised roughly \$20,000 through a Kickstarter campaign, and subsequently received funding from the Montana Farmers Union and a Growth through Agriculture grant from the Montana Department of Agriculture. In all,



the MPGC raised the necessary funds, which amounted to roughly \$120,000. The facility was built at Homestead Organics Farm, near Hamilton, within an hour's drive from some of the main facility users' farms. MPGC members designed and built the facility according to their needs and the space available. They began construction in November of 2015 and the facility was certified for processing by July of 2016.

The processing facility is only 48' by 24', but it is efficient: a staff of five to seven people can process up to 400 birds per day (staff expect this number could be 500, but this has not been tested yet). The facility is HACCP-certified (Hazard Analysis and Critical Control Points), and there is an on-site state meat inspector from the Montana Department of Livestock present on each processing day—meaning that growers can sell their birds both wholesale and to direct markets with a label indicating that the poultry was processed in a fully state-inspected facility. Adjacent to the facility is a commercial kitchen, which the MPGC does not currently use. In coming years, however, the MPGC hopes to get the kitchen HACCP-certified so they can further process their poultry. Currently, members only sell whole birds, while most customers prefer cut birds. The facility is certified to process any type of poultry, and could become certified to process rabbits in the future. With only a partial season in 2016, the facility processed over 6,000 birds. In 2017, the MPGC expects that the facility will process double to triple that amount. For comparison, this is slightly more than the number of birds processed by the current largest single-user processing facility in Montana, which is owned by the New Rockport Hutterite Colony in Choteau.



PROJECT BACKGROUND

This processing facility is important for a variety of reasons. Most significantly, it addresses a critical processing need for poultry growers who were looking to expand their operations to serve new markets, but previously had no economically viable place to process more than a homestead-scale number of birds. In pursuing and confirming the legality of a cooperative owning an inspection license for a facility, MPGC also provides a new model for pooling resources to create economic opportunity for small growers. Finally, the process of designing and constructing a small facility means there is a readily available blueprint for other growers who are looking to build a facility, but do not have the technical resources to do so.

Given the unique nature of this facility, the researcher spoke with MPGC members and key partners to document the challenges and assets for the MPGC in establishing the facility, as well as their personal experiences and lessons learned in spearheading this project. These members and partners participated in individual in-depth interviews averaging an hour in length. In total, over nine hours of interviews were conducted with nine participants from central and western Montana. They shared information based on a variety of questions, including: Why was the processing facility needed? What challenges did the MPGC face in establishing the processing facility, and how were they navigated? What assets did the MPGC draw from throughout this process? What is the MPGC's larger role in building Montana's local food system? The following section highlights key lessons and observations learned from these interviews.



KEY LESSONS AND OBSERVATIONS

THE PROCESSING FACILITY EXPANDS ECONOMIC OPPORTUNITIES

All nine participants cited the lack of a publicly available, state-inspected poultry processing facility as a major barrier to their expansion. One poultry grower described his experience without a facility as the sole obstacle to pursuing poultry production: “We wanted to start a restaurant and grow all the meat for the restaurant, but there was no place to process the chicken...we could not overcome that part. The closest place we could have chickens processed was an eight-hour drive one way, so that was not going to work.” For poultry growers, the lack of a processing facility created a bottleneck in the production chain, wherein the lack of practical processing options (outside of the homestead scale) deterred new potential growers from starting poultry enterprises. For existing poultry growers, this void severely limited the economic feasibility of scaling up their businesses, ultimately preventing it from becoming a viable market in Montana—even at a time when local food sales in the region were increasing.

In discussing the facility in Hamilton, participants pointed to a variety of benefits, from the facility as an employer for community members to its flexibility for different user groups to its HACCP certification. Most salient was their belief that it would spur new activity in the poultry market, for both new growers and existing growers hoping to expand their operations. Though the extent to which this occurs on a regional scale remains to be seen, the fact that three MPGC growers have been able to either start or expand their operations as a direct result of the facility and ten new members have joined MPGC specifically to use the facility suggests high potential for the expansion of economic opportunity for poultry growers in coming years.



THERE IS POWER IN NUMBERS

Participants frequently talked about the importance of “the group” over the individual in building the processing facility. In a state as large, rural, and sparsely populated as Montana, this group mentality—and pooling of resources to create economic feasibility in poultry production—was essential for the survival of poultry growers. In the early phase of the facility, participants often described the group as the primary impetus for undertaking the project. One member expressed this by saying, “We’re really thankful that it all came together this way. We’re thankful that the co-op...had a functioning group that was supportive. That’s what we feel helps drive [the processing facility]. The people.”

“The group” also provided leverage in the regulatory world. Participants commonly discussed the historical lack of any regulatory mechanism or support for a multi-user facility in Montana. Because of the unique human resources that the MPGC had access to, such as a cooperative development specialist and a meat inspector who advocated for the MPGC, the co-op provided a way to “interface with the regulatory world” with greater weight, credibility, and accountability than an individual might have had. One participant shared his thoughts on leveraging collective power to overcome regulatory barriers: “The poultry growers came together as a group. That’s the biggest barrier...They may have had some power to get people motivated because they were a group, so they were able to motivate folks, raise capital, get access to legislators, and interact with regulators.”

AND MOTIVATED INDIVIDUALS ARE THE CATALYST

The progress of the MPGC in this project was driven by support from a few key players. From the perspective of those members who were most involved in the facility’s building, a state meat inspector was one of the most important assets to the co-op. As one participant described, “[He] was the guy that kept coming over and saying, ‘good job, keep going, keep going, you’re doing that wrong, keep going’...We wouldn’t have been successful if he hadn’t helped us.” The cooperative development director was also identified repeatedly as an essential supporter of the project. Participants were clear and consistent in their conviction that these key individuals’ encouragement and support of the MPGC was central to the facility’s success.

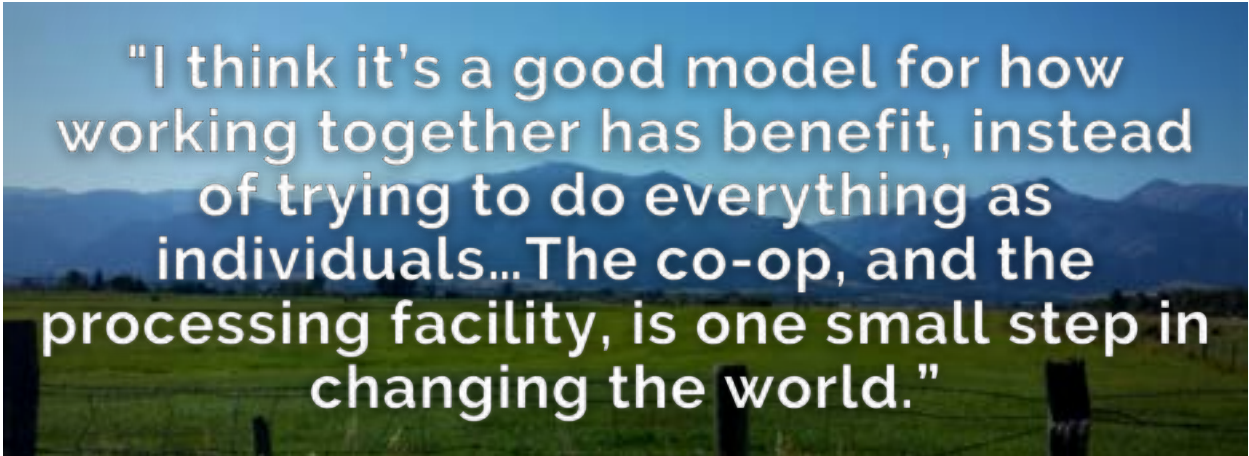
While there was consensus around two particularly critical actors in the project, as described above, many participants pointed to others as “key individuals” in catalyzing the project. In this way, nearly every participant was acknowledged by another as critical to the MPGC’s success, past or present. This sense that individual actors carried the facility’s success was striking and

seemed to cultivate a collaborative spirit and respect for everyone in the MPGC not only as members, but also as individuals with knowledge and experience to contribute to its future.

THE CO-OP STRUCTURE IS A CHALLENGE AND A BOON

The membership and policy structure and variable levels of member engagement with the co-op have proven challenging for the MPGC. While some members are thrown into positions of high commitment, others are minimally involved—either by choice or because they are too far away, geographically, to fully participate. At the same time, developing co-ops are ever-evolving in membership responsibilities. While a cooperative development agent or advisor may play a central role in the co-op at first, their role should taper over time as the roles and responsibilities of co-op members and managers develop. This transition can be tumultuous for a small co-op. For the MPGC, this was compounded by the fact that most, if not all, co-op members are full-time poultry growers with little or no spare time to devote to an involved position in the co-op or the dissemination of key updates and information on the co-op. Even for members who want to be more involved, they are often confused by the structure of the co-op, including such details as board responsibilities, financials, membership policies, and a wide variety of services for members.

Even so, the structure provides a variety of unique benefits that outweighed the challenges, in the eyes of participants. Significantly, many grants are designated specifically for cooperatives. In the case of the MPGC, the processing facility would not have been possible without such grants. The structure also supports democratic decision-making, giving members direct control over important issues such as (for the MPGC) compensation for facility employees, facility location, membership policies, board governance, and the mission of the co-op. Finally, its policies regarding board term limits mean that the co-op is an ever-evolving and organic organization driven by membership. The specific challenges and benefits undoubtedly vary from co-op to co-op, but in the case of the MPGC, participants considered the co-op's many benefits to outpace its drawbacks—particularly as they looked towards the co-op's "wide open" future.



"I think it's a good model for how working together has benefit, instead of trying to do everything as individuals...The co-op, and the processing facility, is one small step in changing the world."

PARTICIPATION FULFILLS PERSONAL VALUES

The widely held feeling that everyone was a contributing and active member of the MPGC, especially during construction of the facility but also in the earlier history of the co-op, also translated to a more personal sense of value. One participant, in deliberating his personal motivations for growing poultry, expressed a belief that small-scale poultry, in combination with other farming operations, has the potential to transform our food system, and further, that the MPGC is well-positioned to educate the public about why they should buy sustainably grown poultry: “People will pay more if they really feel like they’re getting something different and more valuable, and the way to do that is to not try to do a more ethical version on a large scale. It’s to completely eschew the large scale and integrate and collaborate to make the smaller, radically different system work.” This sense of a personal ability to affect change to their food system reflects a feeling that all participants expressed to varying degrees.

In discussing the importance of creating the facility to be owned by the MPGC, this same sense of efficacy manifested itself among participants. Oftentimes, it appeared as a sense of pride and ownership in belonging to the MPGC. One participant’s reflection on the importance of the MPGC was deeply laced with this: “The idea of doing something together has a lot of benefit, if for no other reason than just having the correct mentality that a rising tide floats all boats...I think it’s a good model for how working together has benefit, instead of trying to do everything as individuals...The co-op, and the processing facility, is one small step in changing the world.” Participants felt that the MPGC is doing something novel and truly meaningful, in terms of its potential for developing a stronger local poultry system. The feeling of personal and cooperative pride—that “we did it” and “we can do it”—is palpable.



NEXT STEPS

Potential next steps for the MPGC emerged from the researcher's synthesis of interview results.

- *Marketing and education campaign:* While some co-op members feel that the co-op's primary role as supporting the production of poultry should remain limited to this, others feel that members would benefit significantly from a marketing and/or education campaign in terms of market share. This campaign might help inform consumers regarding the product differences between conventionally and sustainably raised poultry, and why the prices for MPGC poultry are correspondingly higher. While members currently sell their poultry under their personal farm labels, some members are interested in tackling a larger marketing effort to create a MPGC brand, under which name members could sell their poultry. This would serve to build the reputation of producers and the MPGC, as well as strengthen marketing efforts, particularly for members who do not emphasize marketing for their own individual products.
- *Serving members equitably:* Equitable service for members is essential for its survival. Many members feel well-served by the co-op, while others feel that they do not have a strong voice in the co-op. Some members feel that the pricing structure for using the



NEXT STEPS

processing facility, while necessary at this point for the co-op in order to cover their costs, will exclude most members from using the facility in coming years. Some members expressed concern that the current pricing structure will exclude small (50-100 birds per year) growers who are interested in maintaining or slightly expanding their levels of production, but who do not wish to run a “full-on poultry business.” Some members in central and eastern Montana feel underserved by the co-op, whose activities have recently been largely focused in the western part of the state. While they expressed that they understood the necessity of this, some members felt that dividing into two different co-ops, or branches of the co-op governed by different boards and with separate member activities, serving different geographic regions of the state would help members in central and eastern Montana feel more empowered to meet their own unique needs.

- *Clarifying structure and roles:* Co-ops follow specific guidelines in terms of their structure and member roles (e.g., president, treasurer, board member). As the MPGC has so far focused its attention on member services, fiscal management, and operational policies, membership policies and procedures (e.g., non-compete clause, growth plan) have not yet been developed. As the co-op grows, it is essential for them to discuss and establish these policies to maintain clarity, order, and equity for their members.
- *Facility staffing:* Many participants touched on the difficulty of finding employees for the processing facility. This challenge arises from the fact that the facility currently operates only one day per week from May to November, which has proven too irregular a schedule to be attractive for most people seeking employment. Simultaneously, due to a statewide shortage of meat inspectors, the Department of Livestock can currently only allocate a meat inspector to the facility for one day per week. Since one meat inspector must always be present during butchering days, the facility is limited to processing only one day per week until there are more state meat inspectors available. As the facility aims to increase processing capacity, addressing this issue will be vital.



APPENDIX: SUMMARY OF RESULTS

Table 1. The following table distills the key challenges that the MPGC faced before and during the facility's construction, as well as ongoing challenges:

Type of Challenge	Specific Challenge
Processing, Before Facility	
	Lack of facility
	Lack of desire to do own butchering
	Lack of butchering experience
	Mobile unit not economically viable
Distance	
	Mobile unit transportation and design challenges
	Lack of access to equipment and feed delivery locations for some producers
	In-person co-op meetings difficult to attend for faraway members
	Feeling of disconnectedness/hard to share experiences and collaborate
Individual Producer	
	Lack of funding/regulatory leverage to build personal facility
	Seasonality

	Predators
	Inefficiency (scale)/lack of capacity
	Cost:
	...of organic (practices, certification)
	...of sustainably raising poultry (poultry takes longer to be ready for slaughter)
	...of products (feed, OG and non-OG)
	Lack of experience in poultry production
	Labor-intensive
	Poultry transport to facility
Marketing and Education	
	Competition (Hutterites and conventionally produced poultry)
	Lack of consumer education on prices/product differences
	Organic costs and consumer stigma against non-organic products
	More growers needed to support a more viable local poultry network
	Poultry transport to facility
Regulatory	
	Inter-agency discrepancies ("gray zones") and interpretation differences of law

	Lack of regulator familiarity with new licensing laws and poultry production
	Top-down attitude/one-way line of communication (regulator to grower)
	Inspector shortage
	Agency orientation towards industrial-scale production
	Timeline/cumbersome order of regulatory processes
Financial	
	Irregularity in flow of funds for facility during building
	High cost of facility
Construction of Facility	
	Staffing of facility (experience, availability, and labor cost)
	Inspector shortage
	Cleanup the same no matter how many birds
	No self-use of facility
	High time commitment for managers
	Requires advance planning to schedule a time to have birds processed
	High time commitment for managers
	Requires advance planning to schedule a time to have birds processed

	Added expenses for property owner
	Not profitable if too small of a grower
	Need a highly motivated group to take initiative on facility
	Only whole bird processing
	What to do with excess offal?
	Ironing out procedures and best practices
Cooperative Structure	
	Unclear responsibilities
	Low engagement by many (lapse in leadership, i.e., "fumbling of the baton")
	High commitment by few (especially property owners and management)
	Unclear setup (structure, rules, membership, financials, membership policies)
	Many different functions (spread too thin geographically and functionally)
	Pricing structure not necessarily conducive to small grower profitability
	Fractured membership (lack of unity)
	Too young to determine whether facility will be profitable long-term

Table 2. The following table summarizes the key assets and benefits for the MPGC before and during the facility's construction, as well as into the future:

Type of Benefit	Specific Benefit
Membership	
	Shared use equipment
	Collective feed ordering
	Mobile unit
	Processing facility for all
	Democratic decision-making (right to a vote)
Personal Fulfillment	
	Living/fulfilling personal values via sustainable poultry production
	Sense of efficacy/self-reliance/can-do attitude
	Sense of ownership/co-op pride/loyalty
	Desire for transparency and good product
	Values many perspectives
	Building personal community
Regulatory, Before Facility	
	Ensures growers follow best food safety practices in all processing environments

	Exemptions provide alternative to processing at state-inspected facility
Regulatory, For Facility	
	HACCP certified means consistent and safe products
	All poultry processed at facility is state-inspected and labeled
	Facility is small enough for inspectors to see whole process
Collaborative Advantage	
	Support from key members and partners
	Forum for sharing experiences and pooling expertise
	Group coalescence around common needs
	Community investment in co-op success
	Sharing ideas/deliberation/highly receptive to feedback
Cooperative Structure	
	Unique financial access:
	...Co-op-specific grants (MT Farmers Union, MT Dept. of Ag's Growth through Ag)
	...Cost sharing
	...Fair wages for facility staff
	...potential for OG certification

	Increased efficiency through:
	...Bundling of birds (supports small growers)
	Ability to become legal (MPGC owns inspection license)
	Democratic decision making
	High individual commitment:
	...via MPGC member finance
	...via investment of time
	Community orientation/mission-controlled organization:
	...via membership open to all
	Elected board governance
	Buffer between regulatory and individual (offers education for both entities)
Improves Reputation	
	Humane raising and kill
	Potential for PGC brand marketing
	Easy venue for supporting consumer education
	Access to niche markets
	Publicity

	Transparency/connection to grower/accountability
	Website (generally advertising)
Facility	
	Economic opportunities:
	...Job creation for facility employees
	...Regional food system development (i.e., "local first")
	...Regional economic development
	...Will be certified organic
	...increasing capacity/opportunity for poultry growers
	...can sell direct or wholesale, frozen
	Flexibility for multiple user groups:
	...chickens, turkeys
	...organic and non-organic
	...kitchen for potential further processing in future
	Convenient to process/growers do not have to process their own birds
	Self-contained, stationary processing facility
	Closer to significant population of current poultry growers

	Replicable/"inspiration"/footprint
	Provides supply of sustainable poultry
Growing Poultry	
	Poultry easy to grow compared to other livestock
	Cheap inputs
	Small acreage required