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Respectfully submitted to:

The Honorable Sarah Huckabee Sanders, Governor
Chair, House Committee on Agriculture, Forestry, and Economic Development
Chair, Senate Committee on Agriculture, Forestry, and Economic Development

Arkansas Production and Processing Capacity

According to the latest data from the U.S. Department of Agriculture, Arkansas ranks 10th in the nation in the value of animals and animal products that provide more than \$8.8 billion to the state's economy annually. Arkansas also ranks 11th in the nation for beef cow production, 23rd in the nation for hog and pig production, and 24th in the nation for cattle/calve operations. In 2023, the cow/calf industry in Arkansas produced 503,108 pounds with a market value of \$620,088 and the pork industry produced 105,156 pounds with a market value of \$58,928.

Prior to 2022, Arkansas producers had two options for meat processing: (1) utilize a United States Department of Agriculture (USDA)-certified inspection facility that allows for interstate shipment of finished products, or (2) utilize a custom-exempt (non-USDA-certified) processing facility that allows for personal use of finished products.

Before the CARES Act was signed into law on March 27, 2020, Arkansas had three USDA-certified facilities for livestock and one USDA-certified facility for poultry. The state had approximately 37 custom-exempt processing facilities.

The food supply chain disruptions in 2020 caused by the COVID-19 pandemic highlighted the need for increased meat processing capacity in Arkansas. This disruption affected Arkansas consumers when looking for sources of meat and meat products in various ways and it was found that the supply was severely limited due to a lack of processing capacity. At that time only three USDA-certified facilities were operating at full capacity and stayed booked 12-15 months in advance. Custom-exempt facilities were in the same situation which prevented producers, who had their own cattle ready to slaughter, from having them processed in a timely manner for their personal use or their customers who wished to purchase an animal for processing.

Three significant actions were taken in 2020 and 2021 to increase the amount of meat processing capacity in Arkansas: (1) creation of the Arkansas Meat and Poultry Processing Grant Program with funding provided by the CARES Act, (2) funding to Arkansas recipients through the USDA Meat and Poultry Inspection Readiness Grant (MPIRG), and (3) passage of Act 418 during the 2021 legislative session to create a state meat inspection program.

This report provides a status of the Arkansas Meat and Poultry Processing Grant Program; a status of the federal MPIRG; and fulfills the requirement of Act 418 which requires an annual report on the operations, implementation, and administration of the Arkansas Meat Inspection Program.

Arkansas Meat and Poultry Processing Grant Program

In June of 2020, the Arkansas Department of Agriculture (Department) worked with industry stakeholders such as Arkansas Farm Bureau, Arkansas Cattlemen's Association, and Arkansas Hunger Relief Alliance in requesting CARES Act funding to administer a Meat and Poultry Processing Grant Program.

The Arkansas CARES Act Steering Committee and the Arkansas Legislative Council ultimately approved \$10.4 million in funding for the program. A review committee consisting of representatives from the

Arkansas Cattlemen’s Association, Arkansas Farm Bureau, Arkansas Livestock Marketing Association, Arkansas Hunters Feeding the Hungry, University of Arkansas System Division of Agriculture, and the United States Department of Agriculture (USDA) evaluated 45 applications and selected 31 entities across the state to receive grants. Recipients received 79.7 percent of the amount requested up to a cap of \$500,000 per application. A list of the 31 selected awardees that includes their location, the amount of funding awarded, and a summary of the status of their project is included as Attachment A.

Four additional facilities are now USDA-certified facilities (Pleasant Plains, Horatio, Hope and Gillham) due to upgrades and expansion made possible by the Arkansas Meat and Poultry Processing Grant Program. A survey of processors indicates that processing capacity grew by more than five million pounds per year because of the grant program. With another USDA-certified beef processing facility located in Mount Vernon and one USDA-certified poultry facility in Clinton, the state now has a total of eight USDA-certified facilities (Pleasant Plains, Horatio, Hope, Gillham, Cave City, Pottsville, and two separate poultry processing facilities in Clinton).

The Department continues to monitor the progress of all grant recipients through site visits, calls, and surveys. Department staff also continues to provide information and assistance to recipients ready to pursue federal or state meat processing certification.

Arkansas Meat Inspection Program

During the 2021 legislative session, the Arkansas General Assembly passed Act 418 to create a state meat inspection program within the Arkansas Department of Agriculture (Department). Act 418 became effective on March 23, 2021.

Under federal law, the Arkansas Meat Inspection Program must operate under a cooperative agreement with the United States Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS). It also must enforce requirements “at least equal to” those imposed under the Federal Meat Inspection Act.

Rules for the program pursuant to Act 418 became effective on May 7, 2022, and the application to operate the program through a cooperative agreement was submitted to USDA on May 10, 2022. The agreement between the Department and USDA, along with the official state inspection stamp of approval, became effective on October 1, 2022. A copy of the rules, inspection stamp of approval, and the application for state certification are included as Attachments B, C, and D.

In 2022, two inspectors were hired and completed the required training for basic inspection and custom-exempt compliance review. During fiscal year 2024, the inspectors initially hired for the program completed in-plant inspections, custom-exempt plant reviews, nine complaint-driven surveillance reviews, and additional training.

Below is a list of facilities certified through the Arkansas Meat Inspection Program, organized by the year each facility received certification:

2023 (Calendar Year)

- Four facilities received certification from the program:
 - Arkansas State University Meat Lab (Jonesboro)

- JACO (Hope)
- Ferguson’s Packing Company (Atkins)
- Williams Baptist University Processing (Walnut Ridge)

2024 (Calendar Year)

- Four additional facilities received certification from the program:
 - McKiever’s Wholesale and Retail (Monticello)
 - Taylor’s Ranch and Custom Meats (Ozark)
 - J&Ds Processing (Greenwood)
 - Daily Meats (Scranton)

The first annual review of the Arkansas Meat Inspection Program was conducted by USDA-FSIS in September 2023. The program was found to comply, and additional improvements on the sampling program plan were recommended. USDA initiated and completed a fiscal audit of the program in October 2023 and a civil rights audit of the program in November 2023, with all records found to be in compliance. Lastly, the sampling plan was approved by USDA in late November 2023.

The overall goal of the program is to achieve “same as” status regarding federal requirements. This status will allow facilities that undergo inspection under the state program to be eligible to participate in the Cooperative Interstate Shipping (CIS) program. Cooperative Interstate Shipping programs allow facilities to produce products eligible for interstate sale. Several producers, particularly those operating near state borders, have indicated that the availability of the CIS program would be an incentive to participate in the Arkansas Meat Inspection Program.

The Department continues to conduct outreach and education activities to increase awareness of the program.

Funding

Act 418 of 2021 also created the State Meat Inspection Program Fund for fees, grants, and other revenue to be used by the Arkansas Department of Agriculture (Department) for expenses of the state meat inspection program. The legislation requires the State of Arkansas to bear the cost of the inspection program but specifically authorizes the Department to charge specified fees for overtime and holiday work performed and for the inspection of animals, birds, or products not covered by the Federal Meat Inspection Act.

The United States Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS) may provide up to 50 percent of allowable direct costs and applicable indirect costs for a state meat inspection program administered under a cooperative agreement. Budget requests for both categories of costs and expenditures must be submitted annually. Funding from FSIS is contingent upon available federal funding.

Attachment A – Facility Progress Reports (As of June 30, 2024)

Facility	Award Amount	County	Status
2B Butchered Custom Mobile Slaughter	\$120,049.16	Faulkner	The mobile unit is complete and in operation.
4-M Butcher Barn	\$181,277.67	Sevier	Construction is complete and the facility is operating under USDA inspection.
A&C Meat Company	\$500,000.00	Garland	Construction is complete and the facility has been sold to a new owner who is working on revisions to written programs. The facility now operates as G E Hawthorn Meat Co.
Arkansas State University Meat Labs	\$500,000.00	Craighead	Construction is complete and was the first facility to become permitted by the state inspection program. The facility operates as an educational operation.
B&R Meat Processing	\$468,372.79	Washington	Expansion construction is complete and operational under an existing USDA grant of inspection.
Bee's Butchery LLC	\$500,000.00	Johnson	Construction is almost complete but has stalled due to lack of funding. The owner is currently pursuing other grant opportunities to finish construction.
Buck Mathews	\$144,471.77	Scott	The facility is operating as a custom-exempt facility only. The facility has contacted the Arkansas Meat Inspection Program with interest in gaining the grant of inspection.
CAMP (Central Arkansas Mobile Processing)	\$500,000.00	Saline	The mobile harvest unit is complete. No construction on the static location.
CenterPoint High School Meat Science Lab	\$111,793.63	Pike	The renovation project is complete, and the facility is operating as a custom-exempt facility.
Clarksville Processing & Taxidermy	\$27,518.43	Johnson	Little progress has been made and funding has been exhausted.
CR Custom Meat Processing	\$214,987.75	Hot Spring	The facility has closed.
Cut to Taste	\$171,990.20	Perry	Construction is partially complete and is seeking additional funding.
Cypress Valley Meat Company	\$500,000.00	Pope	The project is complete and operational under a USDA grant of inspection.

Deaton Slaughterhouse	\$72,596.36	Montgomery	The project is complete and wants to remain as custom-exempt only.
J&D Custom Meat Processing	\$178,439.83	Sebastian	The project is complete and has gained the grant of inspection from the Arkansas Meat Inspection Program.
JACO Meats	\$500,000.00	Hempstead	The project is complete and has gained the grant of inspection from the Arkansas Meat Inspection Program.
Key's Family Butcher Shop	\$355,837.12	Crawford	The project is complete and operational under a USDA grant of inspection.
Moore's Mill, Homestead Food	\$429,975.50	Logan	The facility is open and operating as a custom-exempt facility and is interested in becoming state inspected.
Morrilton Packing Company	\$500,000.00	Conway	The project is complete and operational under an existing USDA grant of inspection.
Natural State Processing	\$500,000.00	Van Buren	The project is complete and operational under an existing USDA grant of inspection.
Ouachita Valley Meat Company	\$320,331.75	Clark	The project is complete and operational under a retail-exempt only with license from the Arkansas Department of Health.
OK Beef	\$500,000.00	Pike	Equipment and supplies have been purchased; however, construction on this facility has not yet begun.
Prewitt Farms Cattle & Meat Market	\$500,000.00	Miller	Construction is nearing completion and continuing work with USDA for the federal grant of inspection.
Prime Country Meats	\$429,975.50	Sevier	The project is complete and operational under a USDA grant of inspection.
Ramsey's Red River Smokehouse	\$323,771.55	White	The project is 60 percent complete and there has been no additional activity since 2022.
Ridge Runners Processing	\$500,000.00	Craighead	Construction of a new building is incomplete. The facility is currently operating out of an old facility and using a new cooler. A portion of the grant money was to go to the coolers and rail system in the new building. The equipment was never received from the dealer and this situation is in the civil court system.
T&A Womack Farms	\$500,000.00	Independence	The facility sold and continues to operate under a USDA grant of inspection.
Taylor's Custom Butcher Shop	\$145,331.72	Sharp	The project is complete. The facility did operate under a USDA grant of inspection. As of March 2024, they voluntarily withdrew from the grant of inspection.

Tilton's Processing	\$158,961.94	Boone	The facility is open and operational as custom-exempt. The establishment has been sold to a new owner who has expressed interest in gaining the grant of inspection.
Williams Baptist University	\$472,973.05	Lawrence	Construction of the facility is complete, and the grant of inspection was issued by the Arkansas Meat Inspection Program in November 2023.
Wynne Meat Processing	\$124,803.83	Cross	Their expansion and upgrade are complete; however, this facility was affected by the EF3 tornado that struck the city on March 31, 2023. The facility has begun operating as a custom-exempt slaughter operation and conducts business with a license through the Arkansas Department of Health.

Attachment B – Rules of the Arkansas Meat Inspection Program

RULES OF THE ARKANSAS MEAT INSPECTION PROGRAM

I. Incorporation by reference of federal meat inspection laws and regulations

The Department hereby incorporates by reference the most current revisions of the following federal laws and regulations as though set forth herein line for line and word for word:

Title 7 of the United States Code, Chapter 48, Sections 1902 and 1906;

Title 21 of the United States Code, Chapter 12, Subchapter I, Sections 601, 603, 604, 605, 606, 607, 608, 610, 611, 612, 613, 621, 622, 623, Subchapter II, Sections 641, 642, 643, 644, and Subchapter IV, Sections 671, 672, 673, 675, 676.

Title 9 of the Code of Federal Regulations, Chapter III, Subchapters A and E, excluding

- Subchapter A Parts 300.1-300.4, 302.2, 303.1(c), 304.2(c), 307.4(b)-(d), 307.5, 307.6, 316.13(c), 317.7, 318.8, 318.12, 321, 322, 327, 329, 331, 332, 335, 351, 352, 354, 355, 362, 381, and
- Subchapter E Part 439.

However, unless context otherwise dictates, references to “We”, “the Food Safety and Inspection Service”, and the “United States Department of Agriculture” shall refer to the “Arkansas Department of Agriculture” or “Department”, and all words or terms defined or used in the federal regulations incorporated by reference shall mean the state equivalent or counterpart to those words or terms. Whenever an official mark, form, certificate, or seal is designated or required by federal law or regulation, the appropriate Arkansas Department of Agriculture mark, form, certificate, or seal shall be substituted.

II. Exemptions from the Arkansas Meat Inspection Program

1. The following are exempted from the labeling, sanitary standards, practices, and procedures of the Arkansas Meat Inspection Program:

- A. Livestock producers with respect to livestock carcasses, parts of livestock carcasses, and meat food products, processed by the livestock producer from livestock of the livestock producer’s own raising on the producer’s own farm and used by the livestock producer for personal or private consumption;
- B. A person slaughtering livestock or otherwise processing or handling livestock carcasses, parts of livestock carcasses, or meat food products, that have been or are to be processed as required by recognized religious dietary laws; and
- C. Any establishment engaged in slaughtering livestock or processing livestock carcasses, parts of livestock carcasses, or meat food products for intrastate commerce and the livestock carcass, part of a livestock carcass, or meat food product processed by the establishment

when the establishment is subject to inspection under a city ordinance that sets standards in conformity with the minimum standards of the Arkansas Meat Inspection Program.

III. Application for License or Exemption

1. An applicant for inspection shall submit to the Department an annual fee of \$100 at the time the application is submitted.
2. Any establishment seeking exemption from the Arkansas Meat Inspection Program must submit to the Department an application for exemption stating in writing the specific exemption sought by the establishment from the exemptions set in Section II, Paragraph 1 of these rules.
3. The Department may accept or deny any application for license or exemption, but the application fee paid to the Department, if applicable, shall be refunded to the applicant.
4. The costs for routine inspection shall be borne by the State, but the cost of overtime and holiday work shall be borne and paid by the official establishment at the rates for overtime and holiday services established in Ark. Code Ann. § 20-60-212(2).

IV. Custom Establishments

1. Livestock carcasses, parts of livestock carcasses, meat, and meat food products that are slaughtered by a custom establishment shall be:
 - A. Separated at all times from inspected livestock carcasses, parts of livestock carcasses, meat, or meat food products prepared for sale; and
 - B. Conspicuously and plainly marked "Not for Sale" immediately after preparation and shall remain marked until delivered to the owner.

V. Inspection and Appeals

1. Any livestock carcass, part of a livestock carcass, or meat food product found by an inspector to be unwholesome or adulterated in an official establishment shall be condemned.
 - A. Condemned meat or meat food products shall be destroyed for human food purposes under the supervision of an inspector, or
 - B. If the meat or meat food product may be made wholesome and unadulterated by reprocessing, the meat or meat food product may be reprocessed under the supervision of an inspector and may not be subject to destruction if the meat or meat food product are then found by an inspector to be wholesome and unadulterated.
2. An official establishment may appeal an inspector's finding of condemnation.
 - A. The meat or meat food product subject to condemnation shall be conspicuously marked and segregated pending the completion of inspection appeal.
 - B. The official establishment shall provide its request for inspection appeal in writing to the Department within 48 hours of the initial finding of condemnation.

C. The finding from the inspection appeal shall be the final finding, superseding the initial finding of condemnation.

D. If on inspection appeal the meat or meat food product is condemned, the meat or meat food product will be subject to Section IV, paragraph (1), without further opportunity for appeal.

VI. Hearings

Hearings and notices for hearings for the Department's withdrawal and denial of inspection or the Department's determination that an advertisement or label is false or misleading shall be performed pursuant to the requirements of the Administrative Procedure Act, Ark. Code Ann. § 25-15-101 et. seq.

Attachment C – Inspection Stamp of Approval



Attachment D – Application for State Certification



ARKANSAS DEPARTMENT OF AGRICULTURE LIVESTOCK AND POULTRY DIVISION

SMI Application

APPLICATION FOR STATE MEAT INSPECTION - ARKANSAS DEPARTMENT OF AGRICULTURE MEAT INSPECTION PROGRAM

Type of Official Operation (check all that apply)

- | | |
|---------------------|-----------------------|
| | + |
| Red Meat Slaughter | <input type="radio"/> |
| Red Meat Processing | <input type="radio"/> |

Name of Owner

<input type="text"/>	<input type="text"/>
First	Last

Name of Establishment

Phone

Email

Establishment Address

Address Line 1

<input type="text"/>	Arkansas	<input type="text"/>
City	State	Zip Code

Mailing Address (if different)

Address Line 1

<input type="text"/>	<input type="text"/>	<input type="text"/>
City	State	Zip Code

When in operation, estimate official operating time/hours:

Daily Open Time	Daily Close Time	Hours Per Day	Days Per Week	Weeks Per Year
<input type="text"/>				

Estimate of average volume of animals to be slaughtered under

official inspection per week (number of head):

Cattle	Calves	Swine	Sheep	Goat
<input type="text"/>				

Estimate of average volume of products to be processed under official inspection per week:

Lbs. of raw intact (carcass break down, steaks, etc.)	Name of species to be processed (beef, pork, etc.)
<input type="text" value="0"/>	<input type="text"/>

Lbs. of raw non-intact (ground beef, raw sausage, etc.)	Species
<input type="text" value="0"/>	<input type="text"/>

Lbs. of bacon	Species
<input type="text" value="0"/>	<input type="text"/>

Lbs. of cooked (smoked sausage, hot dogs, deli, etc.)	Species
<input type="text" value="0"/>	<input type="text"/>

Lbs. of sticks or jerky	Species
<input type="text" value="0"/>	<input type="text"/>

Lbs. of frozen (dinners, pies, pizzas, etc.)	Species
<input type="text" value="0"/>	<input type="text"/>

Other (specify)	Number of Lbs.	Species
<input type="text"/>	<input type="text"/>	<input type="text"/>

Exempt Inspections (check all that apply):

- Custom Slaughter
- Field Slaughter
- Custom Processing
- Retail
- Other

Specify Other

List names and addresses of other responsible parties. Include owners, partners, directors, managers, etc. Notify the Little Rock office of any changes.

Enter the name of each person who has been convicted in any Federal or State Court of any felony or if they have been convicted of more than one violation of any law, other than a felony, based upon the acquiring, handling, or distribution of unwholesome, mislabeled, or deceptively packaged food or upon fraud in connection with transactions in food. Include the nature of the crime, the date of conviction, and the court in which convicted. If none, write none.

Name 1

First

Last

Address 1

Address Line 1

City

State

Zip Code

Name 2

First

Last

Address 2

Address Line 1

City

State

Zip Code

Name 3

First

Last

Address 3

Address Line 1

City

State

Zip Code

NONDISCRIMINATION STATEMENT: In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, and disability. To file a complaint of discrimination, write USDA, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410 or call (866) 632-9992 (toll free),

(866) 377-9642 (federal relay).

AGREEMENT: If inspection is granted under this application, I expressly agree to conform strictly to all State and Federal Regulations and orders pertaining to meat inspection and I consent to inspections that take place at reasonable times, are within reasonable limits, and in a reasonable manner. I certify that all statements made herein are true to the best of my knowledge and belief.

Signature

Title

Date

Office use only

EST. No