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Committees:
Agriculture & Small Business, R.M.M.
Local Government, R.M.M.
Natural Resources

January 26, 2010

The Honorable Mitchell E. Daniels
Office of the Governor
200 W Washington St Room 206
Indianapolis, IN 46204

Dear Governor Daniels:

I have significant concerns regarding the decision of the Office of Management and Budget to reduce the funding for the Indiana state meat inspection programs. Twenty seven, mostly Midwestern states with large livestock populations maintain their own inspection system with assistance and oversight from the USDA. State programs require the same ante mortem and postmortem inspections, pathogen testing, Sanitary Standard Operating Procedures, and record keeping as the USDA program. However, state programs provide states with the flexibility to enforce a common set of standards in a way that is more accommodating to the small and medium-sized plants that abound in rural Indiana and are vital for the emerging locally grown movement.

I have been involved in economic development in rural Indiana for decades and have never been more excited than what I have seen recently with the growth in direct marketing of livestock products. I have constituents marketing to restaurants, farmers markets and through Consumer Supported Agriculture programs. I even have constituents whose children feel they can come home to the family farm and make a living with these niche markets, something we need to happen to stop the rural brain drain of the last decade. It is my understanding that the estimated fiscal impact of value added meat processing in this state is over \$35 million dollars. This does not include the 32,000 poultry that are also processed annually in these facilities. This is an average of more than \$200,000 per facility. Money that is staying in the rural communities, not going with livestock shipped out of state for processing.

It is my understanding that your office is under the impression that there will be a seamless transition from state inspected to USDA inspected programs should the budget for state inspection be drastically cut. It is my belief that this is a serious misunderstanding of the issue. Statutorily, the USDA would be required to take over inspection in the state. However, the

USDA is not required to accept every plant, nor are they required to work with small processors to ensure their compliance.

According to Ralph Stafko of the FSIS state relations division, FSIS is obliged to provide inspection services, but their current budget would not permit immediate inspection services. In addition FSIS would have to ask Congress for supplemental budget appropriations to add Indiana inspections. Mr. Stafko reported that once FSIS assumes a state's inspection programs, there is significant "realignment" of the plant inspection programs with most of the plants moving to custom-exempt status. When Alaska, Kentucky, Michigan and Idaho dropped their state programs, they lost two thirds of their plants within three years.

More importantly, Kansas and Minnesota reinstated their state programs specifically because the state programs are quite different than the Federal program in terms of philosophy and approach. State programs are more accessible and flexible while remaining dedicated to food safety. State programs have been found across the country to be more inclined to work with the small business owners to educate them on scientific process and improve their food safety records whereas Federal programs are only focused on compliance.

The flexibility of the Federal program is limited by their inspector's labor union which requires for example, each plant to have an office with a shower for the inspector, overtime charges of more than \$40 an hour, and special fees for the inspection of species like buffalo and ostrich. It is important to note that there has never been a food recall from a state inspected plant, something the Federal plants cannot claim.

It has also been found that the custom-exempt plants in those states with state inspection programs are held to a higher degree of accountability than in those states with the Federal program. State programs are accountable to an overseeing agency (the USDA-FSIS) for the cleanliness of custom-exempt plants, whereas there is no such oversight in a Federal-only system. State programs interested in preserving their own existence have an incentive to shut down custom-exempt plants or to require them to make structural or procedural improvements when sanitation is lacking. The Federal program faces no such risk of being dismantled due to the condition of custom-exempt plants.

I think when you consider these issues along with the fact that this is one of the few programs that we receive a dollar for dollar match for, you will work with the Office of Management and Budget to reconsider the unintended consequences and fiscal impact that this budget cut will incur.

Sincerely,



Richard D. Young, Jr.
Indiana State Senator, District 47