

National Advisory Committee on Meat and Poultry Inspection Public Meeting
September 16–17, 2024

Subcommittee 1: Updating Size Classifications for Official Establishments

Question 1. FSIS uses multiple size categories (e.g. production volume for sampling, HACCP size, or firm level employee counts set by SBA). Any concerns with continuing with that approach?

The committee believes that FSIS should continue to utilize multiple size categories to characterize establishments. The current structure is insufficient to accurately measure group establishments by size. For example, an establishment with 10 employees is very different from an establishment with 499 employees. The committee suggests that FSIS should consider increasing the number of categories to better group similar establishments together.

Question 2. What metric should FSIS use to define size categories for regulated establishments (e.g., employee count, production volume, revenue, square footage)?

- The committee believes that FSIS should utilize the production volume, in pounds per year of products produced under inspection and shipped into commerce, to define size categories. These production totals should be based on the previous year's production for existing establishments. Size classification for new establishments should be based on the first 90 days of production and extrapolated to cover the rest of the production year. FSIS should retain the ability to alter this classification if production changes significantly from the amount forecasted based on the first 90 days of production. After the first full year of production, the establishment size should be determined based on the previous year's production.
- The committee discussed the possible number of size categories based on production volume as well as potential production volume cutoffs for those categories. The committee determined that those decisions could not be made until data is obtained regarding annual production volumes at existing establishments. The committee recommends that FSIS conduct a study of annual production volume in pounds at both federally and state granted establishments, then FSIS should utilize that data to create the number and size of production volume-based categories necessary to accurately group similar establishments.
- The committee considered the merits of creating multiple production volume categories in a single establishment, based on different product types (for example, slaughter, raw processing, ready-to-eat processing, etc.) but decided that this approach would confusion. Therefore, the committee decided not to recommend this approach.
- The committee further believes that FSIS should create a secondary measure of business size. This measure should designate whether the establishment is a standalone establishment or part of a firm of multiple businesses sharing ownership, in whole or in part. FSIS should further classify firms to determine if that overall entity is a small firm made up of a few businesses under shared ownership, a large firm made up of several

individual establishments based wholly in the United States, or part of a large multinational firm. FSIS should also take all measures possible to prevent organizations from hiding their involvement in other establishments or firms through strategies such as partial ownership or other efforts to conceal or inaccurately portray ownership by a larger firm.

What are the limitations or advantages to the recommended metric?

- One advantage of characterizing establishments by production volume is that FSIS already collects production volume data. FSIS also can check this data to verify accuracy by checking business and production records. Additionally, production volume is a more straightforward mechanism to determine establishment size than some of the other methods listed in the prompt above.
- One limitation of the committee's suggestion above is that creating too many categories may confuse inspection staff, establishment personnel, and other entities. However, the committee believes that production volume and business category (individual, small firm, large domestic firm, large multinational firm) are both important measures to capture. As such, the committee recommends utilizing two classifications, those being production volume and business category.

Question 3. How should FSIS account for establishment ownership when developing size categories?

- FSIS should make every effort to ensure that firms are counted as firms and individual establishments are counted as individual establishments. The committee advocates for following the methodology portrayed in the responses above.

Should size categories apply at the establishment or the firm level?

- The committee recommends that FSIS give all establishments both a production volume-based size classification and a business classification as portrayed in the responses above.
- FSIS should utilize these classifications according to their best fit for a given situation. For example, production volume size classification is likely to be a better fit for inspection-based decisions in the in-plant environment. Conversely if FSIS, or any other entity, uses size categories to determine courses of action related to business matters (such as eligibility for grants, special assistance, AMS commodity contracts, overtime cost reduction eligibility, etc.) the business category would likely be a better indicator to determine the appropriate course of action.
- If a granted establishment produces a product that is moved to another granted establishment under the same ownership, this product should be included in the number of pounds produced per year at each granted establishment. Every pound of inspected product that goes out the door of each granted establishment should be counted.

To what extent do small or very small establishments owned by larger firms receive assistance from their parent company/owner?

Small or very small establishments owned by larger firms often receive very significant assistance from their parent company/owner and their status as a part of a larger firm should be captured by FSIS and used to determine courses of action where appropriate, such as eligibility for grants, technical assistance, overtime cost reductions, or other applicable uses.

Question 4. What size standards are commonly used within the industry for defining small and very small?

FDA, EPA, SBA, and other entities may utilize various standards to categorize entities that they oversee, but the committee does not believe FSIS should consider these standards for categorizing meat and poultry establishments. The committee would particularly discourage FSIS from utilizing employee count, revenue, or square footage to determine establishment size. As stated above the committee believes establishment size should be based on annual production volume in pounds as well as an accurate characterization of the establishment's business status as detailed in the answers provided above.

Question 5. Are there other applications for the current FSIS HACCP sizes outside of FSIS, such as within the industry? * Clarification: Are there repercussions outside of FSIS if establishment size classifications are changed? *****

There may be some impact outside of FSIS from changing establishment size classifications. However, the committee believes that these impacts would be an overall positive since annual production volume in pounds and business category can more accurately portray establishment characteristics.

Question 6. How should FSIS obtain data to determine if the establishment is a small entity under SBAs size definitions?

FSIS should NOT use SBA size definitions to define establishment size.

What would be the impact of using the SBA definitions for other Agency functions such as implementation of regulations?

Using the SBA definitions for other Agency functions may allow some establishments to further "game the system" and gain unfair advantages in the marketplace. The committee believes that this already occurs, particularly in cases where one corporation, or other entity, has an ownership interest in multiple regulated establishments.

Question 7. Are there sources of data, besides PHIS, that FSIS can use to better identify establishment size and ownership structures?

- Some sources of information may include state comptrollers, the Internal Revenue Service, and potentially the Department of Justice related to activities associated with the Packers and Stockyards Act.
- The committee believes FSIS should utilize all measures at their disposal to identify common ownership interests across multiple regulated establishments, including creating a working group that includes legal and financial experts to further explore strategies to obtain this information.
- FSIS should consider requiring the disclosure of corporate ownership structure information on all grant applications and grant updates.
- FSIS should conduct outreach with federal agencies and other stakeholders to communicate the updated characterization of establishment size including both annual production volume in pounds and business category as detailed in the committee's responses above.

End of Subcommittee Report
