

# Pel-Freez Arkansas



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FSIS Docket Clerk, Docket 00-019P, United States Department of Agriculture  
Food Safety and Inspection Service, Room 102, Cotton Annex,  
300 12<sup>th</sup> Street, SW  
Washington, DE 20250-3700

Dear FSIS Docket Clerk:

This letter is in response to the proposed FSIS fees increases. As stated in the above referenced docket number, *"The Food Safety and Inspection Service (FSIS) is proposing to increase the fees that it charges meat and poultry establishments, egg products plants, importers, and exporters for providing voluntary inspection services, overtime and holiday inspection services, identification services, certification services, and laboratory services."*

Issue Number 1:

We dispute the following statement from that document:

*"Small establishments and plants should not be affected adversely by the increases in fees because the new fee increases provided, in general, for reflect only a small increase in the costs currently borne by those entities that choose to use certain inspection services. Moreover, smaller establishments and plants are unlikely to use a significant amount of overtime and holiday inspection services."*

Specifically, within the above statement we disagree with the phrase *"small increase in the costs."* The proposed increase in "Base time" is nearly 11 percent. Given the narrow net profit margins in our business, 11 percent is enormous. We are a small rabbit meat processor located in Arkansas. We were just hit (October 8, 2000) with a 1.5 percent fee increase in base FSIS hourly rates. We would agree with that increase as being described as "small."

We use FSIS on a voluntary basis. In the last three years our fees for inspection and grading increased from \$80,000 to over \$120,000. We can no longer sustain such increases and remain competitive. Since rabbit meat inspection is voluntary, we currently offer the only USDA inspected and graded product in the United States. Our competition, both domestic and foreign, continues to erode our markets through lower pricing. Thus, Pel-Freez faces market conditions which prevent the company from passing on this huge cost increase. We must state very clearly that Pel-Freez will most probably be forced to terminate USDA services to remain competitive.

Issue Number 2:

We dispute the following statement from that same document:

*"The industry is likely to pass through a significant portion of the proposed fee increases to consumers because of the inelastic nature of the demand curve facing these firms. Research has shown that consumers are unlikely to reduce demand significantly for meat and poultry products, including egg products, when prices increase."*

For the above stated reasons we are unable to "pass through a significant of the proposed fee increases." For example, we face substantial competition from rabbit meat imported from Canada and China. Those importers do not face such increases. Continued increases in FSIS "service fees" will eventually cause the loss of American jobs, and a reduction in the amount of "USDA inspection." This may eventually become a food safety issue.

Issue Number 3:

Therefore, and based on the above statements of fact, we also dispute the statement:

*"Because this final rule has been determined to be not significant, the Office of Management and Budget (OMB) did not review it under Executive Order 12866. The Administrator, FSIS, has determined that this final rule would not have a significant economic impact, as defined by the Regulatory Flexibility Act (5 U.S.C. 601), on a substantial number of small entities. "*

What amount of an increase would cause OMB review? How is it possible that eleven percent is "not significant" enough? To which Federal agency may we appeal?

FSIS needs to give more consideration to small businesses. We operate in a free market economy, not a bureaucracy. As a small business, we deal with real competitive threats on an hourly basis. If we increase prices to our customers, our customers ask us "what value have you added to justify such an increase?" We ask FSIS the same question: What value have you added to justify such an onerous increase?

Based on the above three issues we would like to propose the following solution:

Include rabbits (lagomorphs) as livestock and require mandatory inspection. Such an action would place the rabbit industry on an equal footing with those major meats, which enjoy taxpayer paid free USDA inspection. Pel-Freez, as well as other rabbit processors, would not bear either this onerous increase, nor any out of pocket payments to the USDA.

This will reduce the cost to small businesses like Pel-Freez. It also has the potential to increase the food safety of all rabbit meat offered to the American public. Thus, the rabbit meat would become a more uniform, quality product for the US consumers.

Thank you for your consideration concerning this matter. I stand ready to discuss this issue at any time.

Regards,



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