



NATIONAL MEAT ASSOCIATION

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**SMALL BUSINESS SIZE STANDARDS
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June 28, 2005

Thanks for receiving testimony from National Meat Association on the Small Business Administration's proposed rule to amend small business size standards. I am also here today to speak for the Southwest Meat Association, which is based in Texas.

NMA and SMA are non-profit industry associations. We represent meat packers and processors, equipment manufacturers and food suppliers who provide services to the meat industry.

Many of our members would qualify as small business under almost any standard imaginable. Frankly, if some of these companies got any smaller they wouldn't be in business, which only underscores the importance of having small business designations and assistance. I speak for an industry with constant regulatory uncertainty and increasing consolidation. Small businesses need assistance to survive and grow.

The situation is such that it has become very difficult for a small firm to enter the meat business because of prohibitive startup costs. Not only are packing plants pricey to build and difficult to run profitably, but capital investment costs to meet regulatory requirements are exorbitant. Costly government requirements make it difficult for niche business which, based on customer demand for ethnic and specialty meats, ought otherwise to be flourishing. Supermarket slotting fees make it even more difficult for the smaller players. Firms already in business are often forced to seek alternative outlets, such as farmers markets or the Internet, to get their products to consumers.

15 years ago firms might have competed for Dept. of Defense meat contracts, but today this is virtually non-existent because of the new buying systems used by the government. Some still sell to USDA procurement programs, such as the National School Lunch Program, although extra levels of regulatory restrictions make this more and more difficult.

Because programs like the SBA set aside are a critical component of many small meat companies' success, we laud and support the SBA in its efforts to create a simplified

codification based on number of employees, and offer these comments only to complement and enhance SBA's efforts in its Advance Notice of Proposed Rulemaking.

Such a simplified system worked well for the U.S. Department of Agriculture and one with which the majority of our members, all of whom are registered with USDA, would be familiar and comfortable.

A 500-employees size standard would be appropriate for our industry to determine small business. We also support the continuation of a Very Small Business (VBS) as outlined in the proposal, but with the caveat that it might reach more businesses in need if it were worded slightly differently.

For example, just as USDA in implementing its mandatory HACCP requirements developed three phases – large, small and very small – so SBA might consider a different approach for the very small firms to encourage entry into certain industries.

The USDA's HACCP rule, the so-called Mega Reg, was published on July 25, 1996, but the size standards printed therein are still quite applicable. Very small was defined at those with fewer than 10 employees *or* with annual sales of less than \$2.5 million annually. (See attachment.)

The SBA VBS program, on the other hand, defined a very small business as one with “15 employees and \$1 million or less in average annual receipts.” We humbly submit that an ‘or’ standard might cast a wider net. So that would read *15 employees or \$1 million or less in average annual receipts*.

That said, we strongly support SBA explore a tiered system for size standards in Federal contracting and emphasize that it has been successfully used by USDA before. Tiered size standards not only have the potential to benefit meat-industry firms, but have been used to do so in the past.

In short, NMA believes that small businesses in the meat industry could benefit from the SBA proposals as outlined in ANPR 13-CRF Part 121. Thank you.