Whole Animal Sales for Custom Processing

Introduction

Selling customers a whole or partial steer for their freezer is not uncommon for small California ranchers. In a typical transaction, the animal that has been sold would be slaughtered on-ranch and processed at a local custom meat shop. The customer would then pick up their cuts, ready for the freezer. Under USDA rules, this transaction is called "Custom Exempt Slaughter & Processing". Until 2019, however, that practice has been illegal under California state law.

The passage of AB 2114 in 2018 lifts the ban in California and places a set of standards on the transaction, opening the door for California ranchers to confidently add this method of sales to their business model.

Why sell whole animals for custom processing?

- In a whole animal sale with custom exempt processing, the rancher can talk directly to the consumer, answering questions related to breed, feed, animal welfare and stewardship of the land.
- In a custom exempt transaction, the animal never leaves the ranch where it was raised, minimizing stress or potential for injury in transport.
- A custom exempt transaction allows the rancher to build a brand and a customer base that will return for more product without having to manage an inventory of finished cuts or the logistics of packaging, labeling, etc.
- Ranchers do not need to worry about fitting into the schedule at an inspected slaughter plant, and costs to the rancher for transport, harvest and processing are lower than at an inspected facility.

How does a whole animal transaction work?

AB 2114 contains a few, specific rules for this activity in California including the requirement that no more than 5 head of cattle per month can be harvested in this kind of transaction on any given premise. These rules are outlined in detail below. Additionally, custom slaughter on-ranch of a pre-sold animal requires compliance with the USDA's "Custom Exempt Slaughter" rules.[1] In all cases, the sale and processing of the animal must be for personal use only, and must result in meat products that are neither "adulterated" nor "misbranded."[2]

[1] *See "FSIS Guidelines for Determining Whether a Livestock Slaughter or Processing Firm is Exempt from the Inspection Requirements of the Federal Meat Inspection Act" at: https://www.fsis.usda.gov/wps/wcm/connect/16a88254-adc5-48fb-b24c-3ea0b133c939/Compliance-Guideline-LIvestock-Exemptions.pdf?MOD=AJPERES*

[2] *These terms are defined in Federal Code 21 USC §601 and essentially mean that the meat must come from healthy animals, processed under sanitary conditions, resulting in product that is clean and safe for human consumption.*

First, a few definitions from California Food & Ag Code:

Inspector *"means a hide and brand inspector. It includes the chief, regional brand supervisors, senior brand inspectors, investigators, and persons employed on a collaborative basis pursuant to Section 483 to carry out this division."*

Slaughter *"means the stunning, bleeding, eviscerating, skinning, splitting, and preparing of livestock for human consumption."*

Mobile Slaughter Operator (MSO) This term is not explicitly defined in code, but is referenced in Section 2201.5 of the Food & Ag Code saying, *"…mobile slaughter operators who perform the service of slaughtering cattle for the owner of the cattle on the owner's premises are not licensed slaughterers pursuant to this chapter."* This means they provide slaughter services without the requirement of inspection. An MSO may provide their services as part of a Custom Livestock Slaughterhouse (below) which also provides cut-and-wrap services or they may operate as a stand-alone business. If harvesting cattle, an MSO must be registered with the state of California and subject to oversight by the CDFA and the Bureau of Livestock Identification. For sheep, goats, and hogs there is no registration requirement.

Custom Meat Shop Like MSO, this term is not defined in code. In California, a business that provides uninspected slaughter and/or processing for an animal's owner might be referred to as a "Custom Livestock Slaughterhouse" or a "USDA Exempt Meat Establishment." And if the establishment conducts processing that includes curing, drying, smoking or rendering, it must also be licensed as a "Meat Processing Establishment". Under Federal Code, these operations are referred to as a "Custom Exempt Slaughterhouse" or "Custom Exempt Operation". For the purposes of this document, we refer to the businesses that are qualified to provide cut-and-wrap services for a ranch-harvested animal as simply "Custom Exempt Processors."

Steps of a whole animal sale with custom processing: (see also graphic on last page)

1) Rancher sells an animal whole or in part to a customer at an agreed-upon price. Full payment is made and the rancher records the transaction (see "Records" sidebar).
2) Inspector from Bureau of Livestock ID verifies animal's brand and documents transfer of ownership. You can find your Brand Inspector here.[3]
3) Date of harvest is scheduled with an MSO and arrangements to receive the carcass are made with Custom Exempt Processor.
4) MSO comes to ranch to harvest animal,[4] confirming with rancher the ownership and retaining with carcass the hide and paperwork to match the animal with its owner. MSO transports carcass to an establishment for further processing.
5) Rancher provides Custom Exempt Processor with customer/owner's contact information and matching livestock ID to maintain link between owner and animal.
6) Processor contacts customer for cut preferences, to schedule pickup of cuts, and to arrange for payment of services.
7) Customer picks up the meat, pays processor for services. All cuts are labeled "Not For Sale" and are to be consumed **only by the customer, members of their household, their employees and non-paying guests**.

[3] *https://apps1.cdfa.ca.gov/brandinspector/Default.aspx?c=21*

[4] *While exempt from inspection, custom exempt slaughter must be conducted in accordance with the USDA and Association of Food & Drug Officials (AFDO) guidelines found here: http://www.afdo.org/resources/Documents/Committee%20Reports%202016-2017/Exempt%20slaughter%20operations%20final%2005.27.03.pdf*

Specific regulations that apply to whole animal sale with custom processing:

County –

The harvest of one's own animals for their private consumption is not subject to the same oversight as commercial slaughter. However, if the frequency or number of harvests conducted on a given ranch rises to the point where it creates an environmental or public health problem, the county could be expected to intervene. Common sense on the part of ranchers in conducting these transactions and attention to proper management of the activity to stay clear of surface waters and maintain distance from property lines is essential.

California State –

- The site of the slaughter must be either:
  - The livestock owner's own premises OR
  - The premises of the person who raised the livestock and who is not the owner of the livestock. In this case, "raised" is defined loosely as fed and cared for livestock for a period of 30 calendar days or more prior to the sale and slaughtering of such cattle.
- Before slaughter, cattle must be inspected by the Bureau of Livestock Identification according to Section 21051[5] of the Food & Ag Code to verify brand and ownership.
- Mobile Slaughter Operators must follow the guidelines[6] published by the Association of Food and Drug Officials for exempt slaughter.
- The person who raised the livestock must keep records of the transaction including the owners of the livestock and of the total number of animals slaughtered (see "Record-Keeping" sidebar).
- The Mobile Slaughter Operator must keep records including the total number of animals slaughtered and the premises where the slaughter occurred (see "Record-Keeping" sidebar).
- No more than 5 head of cattle can be slaughtered for this type of transaction on a single premise in a calendar month.
- After the slaughter, the carcass must be transported for the owner to an establishment for further processing. These establishments should comply with all rules for custom exempt processing.
- The meat cannot be sold and is exclusively for use by the owner (customer), members of the owner's household, the owner's employees, and nonpaying guests.

Record-keeping

In order to demonstrate that this transaction is in keeping with state and federal rules, everyone involved needs to keep certain records. This also preserves transparency and traceability for the meat products.

RANCHER RECORDS:

- Name, address, phone number, email of customer buying the whole or partial animal
- Tag number/ID of animal being purchased
- Price paid
- Date of transaction transferring ownership
- Date of harvest

MOBILE SLAUGHTER OPERATOR RECORDS:

- Description of animal harvested including brand and marks
- Name, address and telephone number of the person for whom services are being provided (the owner of the animal)
- Date of harvest and address of the property where the harvest took place as well as the total number of animals harvested
  - Limit of 5 head per premises per month (not including animals for ranchers' home use)
- The name and address of establishment to which carcasses are transported for further processing

CUSTOM EXEMPT PROCESSOR RECORDS:

- Type, weight and tag/ID of animal
- Date carcass is received
- Name and address of the person for whom services are being provided (the owner of the animal)
- Name, address, telephone number and license plate number of the person delivering the carcass for processing
  - The processor must also notify the Bureau of Livestock ID that they have received a carcass from an unlicensed slaughter

[5] *FAC §21051 - https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=FAC&division=10.&title=&part=&chapter=6.&article=1*

[6] *While exempt from inspection, custom exempt slaughter must be conducted in accordance with the USDA and Association of Food & Drug Officials (AFDO) guidelines found here: http://www.afdo.org/resources/Documents/Committee%20Reports%202016-2017/Exempt%20slaughter%20operations%20final%2005.27.03.pdf*

Federal Rules –

- Payment from customer to rancher must take place prior to slaughter in order to ensure clear status of ownership
- Payment for slaughter as well as cut-and-wrap services must be transacted directly between the customer and the service provider
- In the case of partial animal purchases, all cuts delivered to a customer must come from the single animal they purchased and not mixed with parts from other animals.
- The person who provides slaughter or processing services must meet the standards for the federal Custom Slaughter/Processing Exemption:
  - o Records must be kept showing all details of the transaction (see "Record-Keeping" sidebar)
  - o Any animal slaughtered must be healthy and result in food that is unadulterated and fit for human consumption
  - o Livestock must be slaughtered according to Humane Methods of Livestock Slaughter Act[7]
  - o All facilities must be maintained in sanitary condition
  - o All products must be labeled "Not for Sale"
  - o Any custom exempt product must be kept separate by time or space from product that is for sale

Pricing a Live Animal Transaction

Historically, ranchers selling whole or partial animals have based the price to their customers on hanging weight of the carcass. To satisfy federal and state rules, the transaction between customers and the rancher as well as the MSO and processor must be structured a little differently. The USDA's guidelines for exempt slaughter and processing[8] explain it this way: "*Carcasses and other products of custom slaughter are not eligible to be sold. Therefore,* ***sale or purchase of the live animal using the services of a custom exempt operator would be based on live weight, price-per-head, or other quantity pertaining to the live animal***."

Similarly, to reinforce that slaughter and processing is being conducted as a service to the owner, a rancher's customer must pay the fees associated with these services to the actual MSO and Custom Exempt Processor rather than to the rancher.

What about other species of animals?

This has been the subject of some discussion as language in the original version of AB 2114 was ambiguous on this question. Ultimately, it has been decided to apply this rule only to the sale, harvest and processing of cattle. Industry groups representing other species (sheep, hogs, etc.) are reportedly looking into drafting legislation that would grant similar privileges to their own ranching constituency.

[7] *https://www.fsis.usda.gov/wps/portal/fsis/topics/rulemaking/humane-methods-of-livestock-slaughter-act*

[8] *See "FSIS Guidelines for Determining Whether a Livestock Slaughter or Processing Firm is Exempt from the Inspection Requirements of the Federal Meat Inspection Act" at: https://www.fsis.usda.gov/wps/wcm/connect/16a88254-adc5-48fb-b24c-3ea0b133c939/Compliance-Guideline-LIvestock-Exemptions.pdf?MOD=AJPERES*

7 Steps of selling whole or partial animals for custom exempt processing

1	2	3	4	5	6	7
Sell whole or partial share of animals to your customers. Collect payment. Note sale and change of ownership in your records.	Schedule visit from Brand Inspector to verify brand and change of ownership. *Keep blue slip for Mobile Slaughter Operator.*	Schedule harvest with local Mobile Slaughter Operator. Make plan for carcass to be cut and wrapped at appropriate Custom Exempt Processor. Notify customer(s) of date of harvest and destination for cut & wrap.	MSO harvests animal(s) and transports carcass to Custom Exempt Processor	Provide Custom Exempt Processor with matching owner-animal information.	Processor contacts owner(s) to arrange cut preferences, pickup, pricing, etc.	Customer picks up meat from Custom Exempt Processor. Pays for services.

Prepared by Vince Trotter, David Lewis, and Bonnie Nielsen. June 2019. More information about growing your operation is available at the Grown in Marin website under Resources for Farmers at growninmarin.org, or by calling the UC Cooperative Extension office in Marin at (415) 473-4204.