



*Building a Tradition of Quality*

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Ladies and gentlemen of the Pennsylvania House Majority Policy Committee,

Thank you for the opportunity to speak with you today about inflation and the impact it is having on agriculture. I represent a small family-owned meat processing company that is located in Mount Joy, Pennsylvania and we have been in business since 1965. Our primary goal as a business is to provide meat processing services to farmers who raise livestock and want to market their own finished products in the marketplace. We do not buy and sell commodity products. We provide a service. As such, traditional market conditions like livestock prices and feed prices do not directly impact our business financially.

Our business has been impacted by inflation in the following ways,

1. Inflation has increased the cost of ingredients and packaging supplies.
2. Inflation has caused a building project to be put on hold.
3. Inflation has necessitated the increase in wages for skilled labor.

The cost of goods for the services that we provide have increased on average around 15% over the past 12 months. Increased efficiencies and decreasing waste are some of the ways that our company is proactively working to absorb these increases for as long as we can. We view ourselves as partners with the farms that we serve and want to be strategic and careful in how we raise our own prices to address decreased profitability. We are currently researching pricing that the market can bear.

Part of our growth strategy is to increase our ability to store our customer's products in refrigerated and frozen storage. Construction of a large freezer on the premises is planned to do our part to strengthen the food supply by providing cold storage services that maintain increased inventories of saleable product. This project has been paused temporarily due to delays in approvals and financing but is now



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in jeopardy because the cost for building supplies has increased and is in danger of exceeding expense projections.

The final and probably largest impact of inflation on our business is the hiring and retention of skilled labor. The single greatest expense to our business is labor and in the past year we have had to increase wages for our team by approximately 10%. The starting rate for inexperienced employees has long been well over the minimum wage and finding workers that are willing to do this work is still very difficult. Our total number of employees has held steady in the past years despite departures by some for opportunities in jobs where the work is less hard the pay either the same or more.

The effects of the pandemic on our business were not financially negative and we were able to maintain profitability throughout 2020 and 2021. Our company plays the Great Game of Business which is an open-book management philosophy where employees are encouraged to participate in the financial aspects of business. I mention this because any profits that the company makes are regularly shared with every employee in the form of quarterly bonuses. When the company is not profitable as has been the case in 2022, our employees earn less because the company does not have the profits to be able to pay bonuses. Any remaining profit is reinvested back into the company for expansion projects as there continues to be a waiting list for our services. Farms that rely on our services currently have the sales and sustained demand to be able to grow but are also hindered in their growth by our inability to expand the services that we provide to them.

When we are not profitable because of increased costs, we are unable to grow.

The solutions to inflation are not easy but I provide some suggestions that are applicable to our business specifically.

There is a push to provide training in meat processing at various schools and universities throughout the country. My experience to date of the makeup of the students who are taking these classes are predominantly entrepreneurial individuals who are hoping to start their own businesses. While not a



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bad concept, it does nothing to help established businesses looking for skilled labor. I could provide additional insight on training schools, but my primary point is this, we need people who need a job and are willing to work hard. In the past, we have seen some of the hardest working people come out of incarceration and need to make a fresh start with a desire to prove themselves. I believe a true path to rehabilitation is providing opportunities for work that build on self-respect and the simple satisfaction of completing a hard day's work. A solution to our labor problem would be creating better initiatives for those who have been or will be released from incarceration.

Small companies also have the ability to value and care for an individual better than larger companies because there is real personal interaction on a regular basis. We may not have the ability to offer all of the benefits that larger companies can but we (and many other companies our size, regardless of industry) can show real care for the people we employ. Promoting this aspect of small companies in general would help potential employees to consider the real benefits of working for small businesses. While these suggestions may not seem like a direct cure to inflation, my belief is that we can best address problems by addressing issues that are a few steps removed from the actual problem and address core issues at the heart of an issue. Access to jobs by underprivileged or underserved segments of our communities is a place to start addressing some of the core issues.

Thank you for the opportunity to make these remarks before you today.