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## Executive Summary

Market forces and new technologies are changing the face of livestock production in the state and throughout the country, shifting animal production from small family-owned farms to large, corporate livestock facilities. Large-scale confined animal feeding operations (CAFOs) now dominate the industry, and some of the largest corporate CAFOs own and operate all aspects of production from breeding stock to feed mills to slaughterhouses and rendering plants.

Once known primarily as a beef cattle state, Texas is now also home to thriving dairy, chicken, egg, and hog production facilities, ranking among the top 10-15 states for each category of production.

But the growth and consolidation of CAFOs in Texas has not come without a cost.

- Large-scale animal production also creates large-scale animal waste—*Texas is the #1 manure-producing state in the country.*

- CAFOs in Texas must manage and dispose of an estimated 280 billion pounds of manure each year.

- This waste burden has impaired at least 388 miles of Texas streams and over 21,000 acres of lakes.

- Air testing near cattle feedlots shows sporadic, high particulate levels above state and federal standards. Air testing downwind of hog, cattle and broiler operations indicate strong, offensive odors and ammonia levels in excess of the state's "health based effects screening level" or ESL. Neighbors testify that odors and dust have led many to sell their homesteads and move away.

- In 1995, Texas regulators streamlined the permit process for CAFOs, limiting the ability of neighboring property owners to contest new permits or major expansions through the contested case hearing process. TNRCC does not consider the cumulative impact that a new CAFO will have when sited near many existing CAFOs, nor does it prohibit many of the practices that contribute to odor and water problems.

- Lax enforcement allows CAFOs to pollute, sometimes for years, before action is taken.

- Texas' recently amended "right to farm" law virtually eliminates neighbors' ability to bring a nuisance action against most CAFOs to protect their rights to use and enjoy their own property.

- Despite the enormity of Texas' animal waste disposal burden, the state's environmental regulations lag behind what other CAFO-intensive states have done to protect their resources. While several states have placed moratoria on new CAFOs, Texas continues to welcome more facilities—particularly hog producers—to the state. Other states have begun to make corporate farms jointly liable for pollution at their contract grower sites, but Texas has not done so. Some states have begun addressing air quality

issues by applying stricter ambient hydrogen sulfide emissions standards to CAFOs, or defining feedlot dust as an emission for purposes of the Federal Clean Air Act, while Texas has not.

## Recommendations

In order to protect Texas air and waterways, as well as safeguard the health and quality of life of Texas citizens, state leaders and regulators must work with livestock producers and the general public to bring more efficient and effective regulation to the industry. The state must prioritize natural resource protection, pollution prevention, and preservation of the quality of life of Texas citizens.

- *Strengthen public participation in decision-making:* Despite growing opposition to the growth of CAFOs in Texas communities, state regulation of CAFOs does not adequately address the environmental and health concerns of local residents. State agencies and government leaders must promote greater public participation in decision-making by providing ample opportunity for public comment and contested case hearings on CAFO permitting decisions.

- *Address water quality concerns:* TNRCC must actively work to protect the state's water resources by strictly regulating waste management and discharges by CAFOs, addressing the cumulative impacts of multiple CAFOs in a single watershed, and prohibiting new CAFO activity near environmentally sensitive or impaired waterways of the state.

- *Address air quality concerns and odor problems:* TNRCC must recognize and address the air quality impact of CAFOs on the health and quality of life of Texas citizens. The agency should establish stricter guidelines for particulates, hydrogen sulfide and ammonia emissions at CAFOs and conduct regular monitoring to ensure compliance. The agency should also revise its nuisance odor investigation protocol to allow quick and effective response to odor complaints from neighbors.

- *Promote research and implementation of innovative and sustainable alternatives to current intensive livestock production methods:* With its ever-growing animal waste burden, Texas should follow the lead of other states in encouraging the use of alternative production practices at CAFOs. For example, the state should phase out the use of open lagoons and the spray-field application of animal waste and fund research on technologies to replace them. Animal producers should also be encouraged to eliminate the use of sub-therapeutic antibiotics, hormones, and other feed additives which may have environmental or health impacts. Texas lawmakers and regulators should develop a long-term plan to encourage the development of organic meat production and support all sustainable methods of livestock production that protect the state's natural resources and the well-being of Texas citizens.

## East Texans Reject Chicken King's Advances

Pilgrims Pride Corporation Still Battling  
Residents Over New Permit to Open A  
Large Processing Plant at Mt Pleasant

### Residents Cite History of Violations

halt the pollution immediately.<sup>2</sup> “Fish kills and generally poor water quality have become a

Regulators have also fined Pilgrim for illegally constructing and operating facilities without a permit, including confined animal areas. For example, in 1985, 1986 and 1990, Texas regulators cited Pilgrim for building and operating two feedmills without a permit and for expanding its egg layer operations (adding three new houses and approximately 336,000 birds) without notifying authorities.<sup>10</sup> As recently as last year, Pilgrim agreed to pay a fine of \$31,250 for operating two caged layer operations and discharging into local waterways without a permit.<sup>11</sup>

Pilgrim's chicken houses generate an enormous amount of waste, and the company spreads the manure on surrounding lands as fertilizer. Over the years, the manure spreading operation has generated odor complaints from local residents. In 1987, the Texas Air Control Board fined Pilgrim for odors after Pilgrim began to spread manure on 120 acres north of Mt. Pleasant. The Air Control Board received complaints and a petition signed by 30 people protesting odors from the area. The investigation found that Pilgrim had spread wet manure without disking it into the soil.<sup>12</sup> One resident complaining of chicken waste odors in 1988 reported that he “fought the odor as long as he could,” but then sold his property and livestock to Pilgrim and planned to move out.<sup>13</sup> The Air Control Board issued further agreed orders against Pilgrim in 1989, 1990 and 1991.<sup>14</sup> Finally, in 1995, TNRCC required Pilgrim to pay a fine of



Pittsburg, Texas is home to Pilgrim's Pride Corporation (Pilgrim), the fourth largest poultry producer in the country. The company produces and processes poultry meat and eggs on company and contract facilities and sparks controversy in East Texas over pollution and quality of life wherever it attempts to expand its operations.

By industry standards, Pilgrim is a very successful company. It maintains its own breeder farms, hatching facilities, feed mills, grow out farms, and slaughtering/processing plants. But in the course of its expansion, the company amassed a significant number of environmental violations dating back to at least 1976, when the state sued the town of Mt. Pleasant over the poorly treated sewage from the wastewater treatment plant operated by Pilgrim.<sup>1</sup>

The Mt. Pleasant wastewater treatment plant treats chicken wastes from the Pilgrim processing plant and discharges the treated wastewater into Tankersley Creek, which ultimately feeds into Lake O' The Pines, a popular fishing area. In 1976, the court ordered the town to never again violate the terms of its wastewater discharge permit. But by 1985, fish kills and repeated state pollution violations resulted in an EPA order to

continual problem in the stream below Mt. Pleasant's Southwest STP [sewage treatment plant],” wrote one state investigator in 1985.<sup>3</sup> But just hours before the Texas Water Development Board gave up its enforcement powers to the newly created Texas Water Commission, the Board agreed to give Pilgrim more time to clean up the plant. Bo Pilgrim sat on the Water Development Board at the time of the decision.<sup>4</sup>

Despite the reprieve, the city again faced fines from EPA in 1987 and 1988 because of the Mt. Pleasant plant discharges.<sup>5</sup> The Texas Water Commission assessed penalties in 1988 and 1990.<sup>6</sup> Because of repeated violations by Pilgrim at the wastewater treatment plant, the city of Mt. Pleasant had the permit officially transferred to the company in the fall of 1988.<sup>7</sup> By the mid-1990s the facility regularly exceeded its permitted discharge limit, and in 1996 sought permission to solve the problem by increasing its permit limit by 25 percent despite the creek's significant degradation and the opposition of local residents.<sup>8</sup> But in 1999, EPA again filed an administrative complaint against Pilgrim for discharges from its processing plant into Tankersley Creek, especially ammonia-nitrogen discharges in excess of its permit limits.<sup>9</sup>



\$325,000 for multiple violations including the spreading of chicken parts (beaks, feet, feathers, fat, etc.) on land as fertilizer which created nuisance odors in violation of the earlier agreed orders.<sup>15</sup>

Pilgrim is sometimes slow to comply with the directives of environmental regulators. In March 1994, the EPA issued an order against Pilgrim's Lufkin, Texas processing plant for discharging "a red liquid" (July 30, 1993) and for discharging into a manhole on the property that was connected to a nearby stream (October 25, 1993). The order also noted unauthorized discharges dating back to 1991. The company indicated that it had taken action to prevent further discharges. But, more than a year later EPA issued another administrative order against this facility. Follow-up site visits from June 1994 through January 1995 showed ongoing discharges from the facility to the manhole leading to a storm sewer and to a tributary of Cedar Creek.<sup>16</sup>

By 1995, East Texas residents began to weigh the potential economic advantages of an expanding Pilgrim's Pride against the potential air and water degradation, and they began to vote "No" to company proposals. When the Sulphur Springs Economic Development Board brokered a deal to bring a new Pilgrim plant to town, some 700 people turned out, most of them denouncing the company and the proposal. Turned down by Sulphur Springs, Pilgrim's Pride shopped its new plant to a number of other East Texas cities. "They've tried to go a lot of places—New Boston, Longview, Kilgore," Senator Bill Ratliff told the Dallas Observer in 1996. "In my opinion what is happening is that people in Northeast Texas who have driven through Mt. Pleasant and smelled the plant wonder whether or not they want

any of that in their community."<sup>17</sup>

Finally, Pilgrim returned to its home base in Camp County and applied to TNRCC to discharge wastewater into Big Cypress Creek. The company also tried to purchase the water supply it needed for its processing plant from the nearby Franklin County Water District. After hundreds of protestors again showed up to the water district meeting, the district board terminated the proposed water sale.<sup>18</sup> But the wastewater discharge permit hearings continued.

Pilgrim proposed to discharge wastewater into Big Cypress Creek, the major tributary to Lake O' The Pines. The City of Longview, which gets drinking water from Lake O' The Pines, protested along with the Northeast Texas Municipal Water district and residents of the surrounding properties. More than 500 people wrote to TNRCC to oppose the permit application and ask for a public hearing,<sup>19</sup> and a number of parties were allowed to contest the permit formally. By 1997, the wave of dissatisfaction with Pilgrim's expansion plans swept Jerry Boatner into the Mayor's office in Mt. Pleasant. "The damage done to an already loaded Cypress Creek is a matter of public record," he declared in an advertisement in the local paper. "Should Mr. Pilgrim expect to double his operations here while doing real harm to the environment, to the communities he wants to be supportive of him, and to his very best managers and employees at his home base?"<sup>20</sup>

Bo Pilgrim, a born-again Christian, responds that his critics don't understand him or his business. "Whatever people say negative about me and the company, that is their problem, not mine," he told the local magazine, *Texas Lake Country*, in 1999. "They did Jesus just the same way, and he said just dust off your feet and go on down the road."<sup>21</sup>

Although Bo Pilgrim predicted that he would have his permit by June 1996,<sup>22</sup> the protests ultimately derailed the plan. During legal procedures before the hearing, Pilgrim's representatives acknowledged that information provided in the application concerning pollutants was based on the numbers required to demonstrate compliance with the law, without any scientific basis to determine whether the numbers could be achieved at the proposed plant. Before the hearing, Pilgrim withdrew its application.<sup>23</sup>

But this did not stop the company from moving its proposed site across the highway and starting the process all over again, only this time it proposed to dispose of its waste using deep injection wells. Far fewer protestors were granted party status to contest the permit in a formal hearing. The company's new proposed site is located directly across Highway 271 from the previously proposed site, adjacent to Walker Creek and about 800 yards from Big Cypress Creek. Although the injection wells will be located near two creeks that feed Lake O' The Pines, the request for a contested case by the City of Longview was denied, as was the request by East Texans for a Better Tomorrow.<sup>24</sup> TNRCC required the three adjacent property owners to first mediate their concerns before getting a formal hearing on their case.<sup>25</sup>

Meanwhile, TNRCC appears to favor Pilgrim in their permit request. According to the Executive Director, "the current permit conditions meet TNRCC rules and requirements and are adequate to protect human health and the environment."<sup>26</sup> So, while the outcome of the dispute is still pending (the hearing will start in June 2000), there is a chance that the permit will be granted, allowing Bo Pilgrim's chicken empire to grow even bigger in East Texas.



# vertical integration and factory meat

Family farming was once the bedrock of local economies across Texas. Family farms supported local businesses, bought grain and feed locally, and employed additional farm labor. In the High Plains, many families still work the land first opened up at the turn of the century by their great-grandparents.

But today most food is produced not by family farmers but by a handful of giant agribusinesses that bear little resemblance to the traditional family farm. In the large animal and dairy production facilities, a thousand animals may be confined in each of dozens of long barns. The farm manager trucks in massive quantities of grain purchased wherever it is cheapest and ready and stores massive quantities of waste in lagoons or dry heaps.

These animal factory farms are often part of a vertically integrated national or multinational commodities corporation that can provide its own feed and take the animals directly to its own slaughterhouse. First, the major agricultural conglomerates control most of the processing. Since the processors purchase animals from the farmer, this means there are relatively few markets for small meat producers. For example, in the markets for beef, chicken, and sheep, the largest four corporations in each industry control anywhere from 50 percent to 87 percent of the market and some firms such as Cargill and ConAgra are in the top four for multiple industries.<sup>1</sup> Currently only four packing houses process more than 60% of the federally inspected hogs sent to slaughter.<sup>2</sup> In the beef cattle industry, the four largest beef packers accounted for at least 71 percent of output in 1992 and as much as 87 percent by 1998.<sup>3</sup>

Vertical expansion by corporate farms allows them to control most or all aspects of production. Continental Grain processes and sells pork and poultry, operates feedlots, and sells nutritionally enhanced corn used as poultry and livestock feed.<sup>4</sup> Cargill, the largest private corporation in the US, maintains diversified operations in grain trading, food processing, cattle feedlots and contract hog production.<sup>5</sup> Koch Industries owns cattle ranches, feedlots, fertilizer and agricultural chemicals, and seed and feed processing plants—allowing it to control its inputs and send its cattle to its own feedlots.<sup>6</sup> ConAgra, an integrated beef, pork and poultry company, recently announced its intention to “source internally” an additional \$1 billion in goods and

services previously purchased from others. “Internal sourcing will keep more profit margin inside ConAgra,” the company said.<sup>7</sup> This high level of consolidation makes it difficult for smaller producers to remain competitive, in part because corporations that control more than one industry “can afford to operate at a loss in one area in order to eliminate the competition.”<sup>8</sup>

The broiler chicken industry is perhaps the best example of how rapidly and thoroughly a meat production system can become industrialized and vertically consolidated. Up until the 1950s, most poultry and laying hens were raised in a non-intensive fashion on small family farms. In the early 1950s, technological innovations in automated production, disease control, and nutrition—including the use of antibiotics as growth promoters—allowed large, confined broiler operations to surpass the production capabilities of traditional poultry farms. This led to the development of contract or credit agreements between feed dealers and growers, where feed dealers would supply credit to growers in the form of feed or chicks in exchange for payment when the mature chickens were sent for slaughter. Over time, companies began to integrate and own all aspects of the production process—feed mill, growing birds, and processing plant—and then would contract with growers to house and care for their birds in exchange for a fee.<sup>9</sup> Today, approximately 90% of all broiler chickens are raised by farmers under production contracts and the remaining 10% are raised on-site by the integrated poultry companies themselves.<sup>10</sup> The biggest percentage of the broiler production in Texas is controlled by three companies—Pilgrim’s Pride, Tyson, and Sanderson Farms.<sup>11</sup>

Pittsburg, Texas is home to Pilgrim’s Pride poultry company, the fifth largest poultry producer in the country. Owned and operated by native Texan Lonnie “Bo” Pilgrim, the company has an estimated \$1.4 billion in yearly sales<sup>12</sup> from the production and processing of millions of chickens and eggs each year in East Texas and other states.

Pilgrim’s Pride Corporation is a model of vertical integration, owning everything from the breeding hens and hatcheries to the feed mills and processing plants. The company owns or contracts for space in approximately 238 breeder farms and owns seven hatcheries which can produce approximately 9 million chicks per week. The company then raises the chickens under contract on 1,100 grow-out farms in Texas and Arkansas.<sup>13</sup> The adult birds are shipped in company trucks to six company-owned processing plants (five are in

Texas) which have the capacity to process 1.3 billion pounds of dressed chicken annually.<sup>14</sup> Adding to its poultry empire, the company also operates three egg production farms near Pittsburg, Texas that house approximately 2 million birds.<sup>15</sup>

One egg farm is owned directly by the company, but the other two farms are operated by Pilgrim’s Pride under contract to another Bo Pilgrim company, Pilgrim Poultry GP. Pilgrim’s Pride also contracts with Bo Pilgrim for the production of approximately 1.6 million broilers annually.<sup>16</sup> These contracts have proven lucrative for Mr. Pilgrim—in 1998, he earned almost \$5.4 million in grower fees for his personal egg and broiler contracts with Pilgrim’s Pride.<sup>17</sup> This does not include his annual salary and bonus compensation of approximately \$760,000 for his Chairman position at Pilgrim’s Pride, nor does it include the value of his 16.7 million shares of company stock.<sup>18</sup>

The pork industry is quickly following the same path to vertical integration and consolidation. Today, the largest producers (those that market more than 10,000 hogs per year) comprise only 2.4 percent of all farms, yet they produce approximately 53% of all hogs that go to market.<sup>19</sup> Over one third of those hogs are now grown under contract, similar to the contract system in the broiler industry.<sup>20</sup> Over the course of the last three decades, the total number of US pig operations has dropped from almost 1 million in 1968 to only 114,380 in 1998. Most of that decrease is from the loss of small farms (less than 1000 head), which have decreased in number by 86% during that period.<sup>21</sup> Meanwhile, the number of large farms has grown by 230%,<sup>22</sup> replacing small and medium sized hog farms with fully integrated production systems such as Texas’ Premium Standard Farms. Premium Standard Farms—ranked 7th in the US in hog production—owns all aspects of production from animal genetics to piglets to feed to final packaging.<sup>23</sup> Due to the large presence of Premium Standard facilities in Dallam

County, Texas, the county is now ranked 49th in hog production for all counties in the US.<sup>24</sup>

These integrated producers rely far less on the local economy for feed, supplies and processing, and instead use company owned facilities. According to local farmers, Texas Farm, Inc. in Perryton, a 250,000 head pig farm, hauls feed in from the north and the finished

pigs out to Iowa for processing. “They have not bought any grain from the grain elevators in Ochiltree County,” Jean Gramstorff of Farnsworth told Consumers Union SWRO.<sup>25</sup> Gramstorff is a spokeswoman for ACCORD, a Perryton-based group opposing expansion of the factory swine industry in the Texas Panhandle.

