

*Grassfed Beef:
A Value-added
Market Avenue*

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Definition by the American Grassfed Association (AGA)

- “The AGA defines grassfed products from ruminants, including cattle, bison, goats and sheep, as those food products from animals that have eaten nothing but their mother’s milk and fresh grass or grass-type hay from their birth till harvest.”

Grassfed = Beyond Organic

- The organic concept is assumed throughout this presentation.
- Grassfed beef producers continue with the production practices that avoid synthetic inputs and antibiotics.

Take Back the Value!

- Dynamics of Marketing Direct to Consumer

- | | <u>\$/100-lb</u> |
|---------------------------------|------------------|
| - 5 market steers (live) | 66 |
| - All fresh retail | 253 |
| - (1997 example: 26% of retail) | |



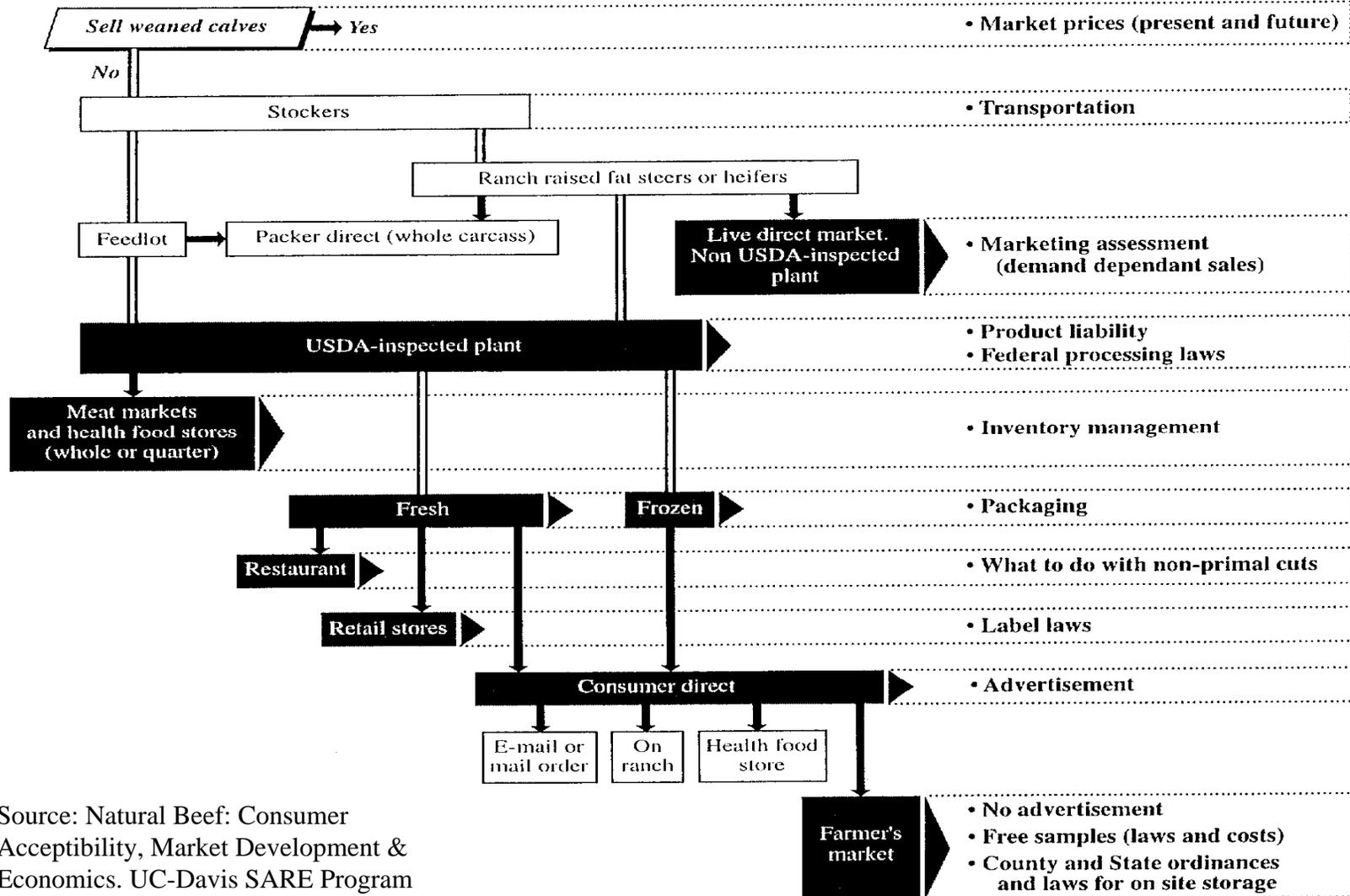
- Farm price makes up only about 19% of the retail today.

Tap Into True Value: Diversify With Niche Marketing

- Diversifying income stream
- In the same area of production
- Retail prices more stable than live prices
- Need to view niche marketing as a long-term approach
- Portion of operation = small part of income risk
- Business planning: Center for Profitable Agriculture 931-486-2777 / 731-425-4711

Pick a Path and Let the "Center" Help Determine the Feasibility!

ISSUES



Source: Natural Beef: Consumer Acceptability, Market Development & Economics. UC-Davis SARE Program

Assessing the Market

- What is needed to make the transition?
- Where is the market?
- How much are consumers willing to pay?
- Proximity to a USDA-inspected processing plant (most sensitive cost factor)
- Location of targeted (high income) consumers (2nd most sensitive cost factor)
- Marketing Plans: Center for Profitable Agriculture -- 931-486-2777

To sell meat to consumers it must be processed at a USDA-inspected plant.

A Producer Cannot

- Slaughter an animal and then sell it to an individual
- Sell a live animal and then slaughter it for an individual
- Sell a live animal and allow the individual to slaughter it on the farm

A Producer Can

- Sell a live animal and have it leave the farm live. After it leaves, you are not liable for the slaughter method/technique.
- Sell live animals and build a USDA-inspected custom slaughterhouse or direct the buyer to one.
- Small processing plants – don't forget your Hazard Analysis and Critical Control Points plan (HACCP).
- <http://ifse.tamu.edu/alliance/haccpmodels/guidebook>

Market Possibilities



Does MUD add
value to your
favorite puppy?

Packer Direct Grassfed Beef

(know what is under the surface!)

- Yellow fat
- Discounts up to 20%
- Beta carotene (Vit. A) in yellow fat is good!
- Adjust production to accommodate consumer preference
- No inventory mgmt., packaging, advertising...



Meat Lockers



- Reduces packaging and advertisement costs
- Let customer deal with locker
- Waiting 'til the sun sets before you get paid - (Slows down payment time)
- Health food stores good with this arrangement

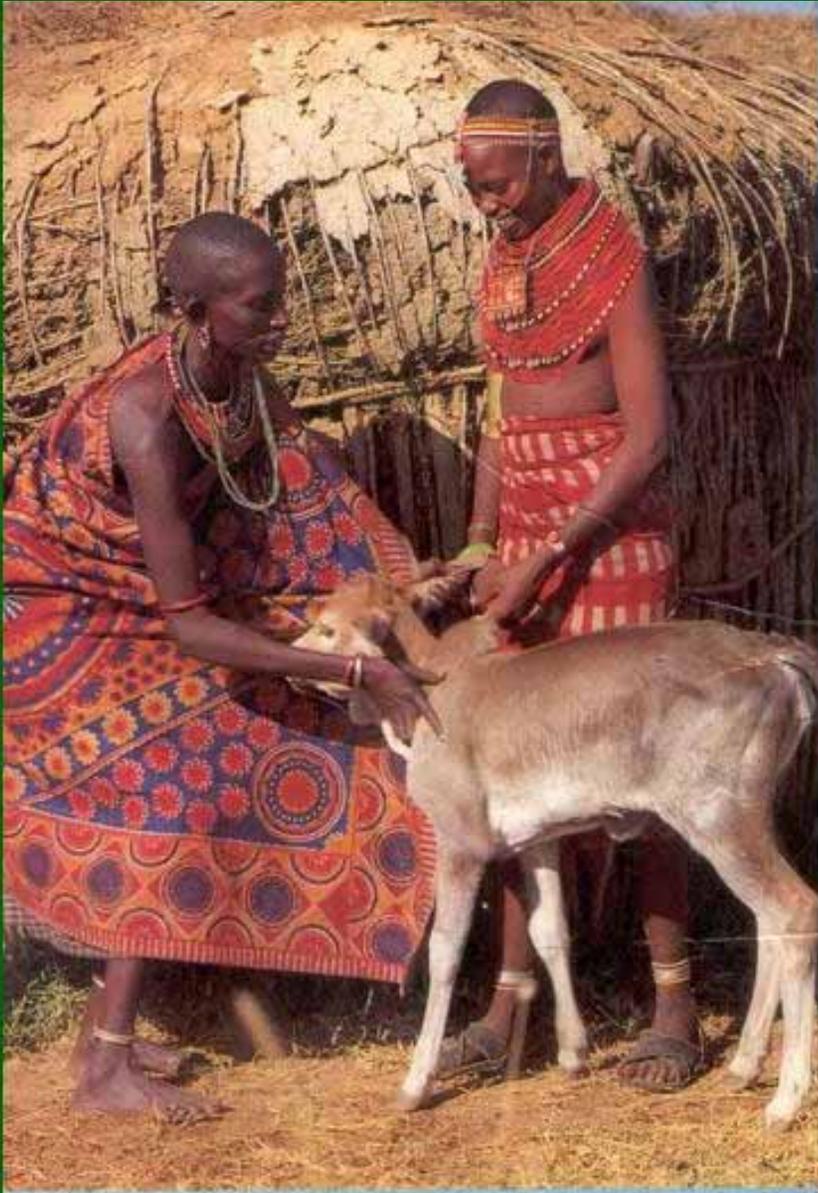
Retail Facility

I cannot
produce just
STEAKS!



- Consistent supply
- Swings in demand
- Labeling laws
- Complete product line
 - Hamburger
 - Steaks
 - Roasts
- Bigger challenge
 - All primal cuts

Retail Facility (cont.)



- Relationships are important
 - Farmer-to-consumer
- Image is important, too
 - Farmer-with-animals

Restaurants/Meat Suppliers



- Quality
- Farmer needs to be able to
 - Carry inventory; or,
 - Quick move from live to usable form
- Great return for primal cuts
- Much work per unit of sales

Consumer Direct

(Up close and personable)

I am Customer Service!



- **Consumer Direct**
 - Word-of-mouth
 - E-mail
 - Newspaper
 - Mail order
 - Farm direct sales
 - Farmers' markets
- **Use USDA-approved processing facility**

Consumer Direct (cont.)

- Match demand to your schedule
- Decrease inventory management
- Frozen beef product acceptable
- Product education an active part
 - Describing the product and cooking it
 - Nutritional value
 - Health benefits

Product Education = Enlightenment



Good Marketing Points: Health Benefits of 100% Grassfed Beef

- **Conjugated Linoleic Acid**
 - Anti-carcinogenic
 - Reduces body fat
 - Anti-diabetic
 - Anti-antherosclerosis
 - (heart disease)
- **300% more Vitamin E**
- **75% more Omega-3**
- **78% more Beta-carotene**
- **400% more Vitamin A**

Health Benefits (continued)

- Lower in fat
- Higher in protein
- Safer to eat due to the relative absence of E. coli

*For some consumers –
food safety is more important
than nutrition*

- Grainfeeding = more acidity
- Acidic environment = increased acid-resistant E. coli
- Resistant strains more likely to survive the cleansing acidity of our own digestive juices...and make us ill

Interesting Results on Nutritional Profile

- Milk from organic grainfed dairy
- Milk from conventional (grainfed) dairy
- No difference in omega-3 fatty acid and CLA
- Meat from organic grainfed beef
- Meat from largest Kansas feedlot
- Same nutritional profile

*Grassfed
Beef*

*Business
Planning*



A Good Plan is Worth Its Weight in Gold!

- Makes managers aware of the strengths and weaknesses of the proposed venture
- Significantly raises the chances of funding with lenders and investors

Elements of an Effective Business Plan

- Charter
- Management
- Product(s)
- Market plan
- Department plan
- Financial plan
- Strategy for presenting your plan in writing and speaking it

Charter (example)

- (who) The TOO GOOD Grassfed Beef Company.
- (what/where) The TOO GOOD Grassfed Beef Company will engage in wholesale sales in the Nashville area.
- (who) Jacob and Jessica Doe will be partners and sole owners of The TOO GOOD Grassfed Beef Company.

Charter (example)...continued

- (what/why) The TOO GOOD Grassfed Beef Company will specialize in grassfed beef packaged in boxes containing a wide assortment of cuts, as deemed suitable by market demand.
- (what/when) Achieve a 30 percent share of the wholesale grassfed beef market in Nashville area within four years and 50 percent during the fifth year. Expand sales into Columbia, Cookeville, and Clarksville areas by the third year.
- Achieve a 20 percent margin on sales during the first quarter of the first year of operation

Charter (example)...continued

- Earn pretax profits of 18 percent on sales beginning the fourth quarter of year two and continuing through the fifth year at this level.
- Provide a positive cash flow beginning the first quarter of year three.
- Produce a net return on investment of 50 percent by the end of year five.
- Expand the wholesale product line as market demand and profits permit.

Management Structure: *most significant profit-determining factor!*

- Specify who will be in-charge per department
- Show chain of command
- If one person per multiple depts.
 - % time per management area
- Written job descriptions

Product(s) description

- Grassfed livestock vs. beef
- Example: boxed beef
 - Box design, product, label, logo
 - Process beef, age it, package, store it properly
- Can you handle the target level output?
 - Facilities
 - Labor
 - Expected output for the enterprise to profit

*Market Plan:
critical to success of the venture!*

- current and potential consumption of the product
- markets to be used
- distribution systems to be used
- how the market is entered
- buyers that must be satisfied
- selling arrangements to be used
- prices to receive for the product

Department Plans: *Important to financial planning*

- Differentiate goals, responsibilities, tasks
- List project & time schedule per department
- List personnel requirements
- Include job descriptions with pay levels
- Department budget: expenditures, costs

Financial Plan:

Financial reports are key to any business plan

They indicate whether it is worthwhile to proceed, to stop & reevaluate, or to cease operations all together.

- Plans presented in a series of Reports
 - Income statement
 - Cash flow statement
 - Depreciation schedule
 - Provision for income tax
 - Balance sheet
- Reports provide information on Critical Issues
 - Investment capital needs
 - Cost of operation
 - Profitability – for start-up, projected from estimates of prices and costs
 - Working capital needs

Packaging the Information

- Short
- Factual
- Informative
- Well organized

Key Notes on Grassfed Beef

- Strategically locating your grassfed operation near a processing plant and the target market greatly reduces operational costs.
- You absolutely must define your product's yield of retail cuts, and its quality in both tenderness and flavor under your current management system.

*O.k.,
One More Final Remark!*

- Business & marketing, survey data, etc.
- Let the UT Center for Profitable Agriculture help you with these economic aspects. It is free! Use it!
- 931-486-2777 (main)/731-425-4711 (me)
- <http://cpa.utk.edu>

Be Thankful You Live In Tennessee!



Questions?

The Center for Profitable Agriculture

“Enhancing Tennessee agriculture, aquaculture, forestry and rural communities through the evaluation and development of value-added enterprises and products.”

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