

General Marketing Options and Recommendations

- The beef business is completely different from the cattle business. You will need a completely different mental paradigm to market beef to customers. You will need a totally different set of knowledge and skills. As a cattle producer, be prepared and committed to educating yourself on marketing. Pay attention to your competition. Begin to read the food and business sections and find out how the distribution system works. Read trade journals that will help you understand the beef business. Learn about regulations. Think about your geographical marketing area. Learn about managing a business. Look for training in marketing - selling approaches, interviewing, demonstrating, validating, negotiating, and closing. You need to do more listening than telling.
- Be prepared for it to take at least take 3-5 years for your business to take off.
- Your processor is key to your success. Choose it carefully.
- Avoid lax credit terms and customers who make big promises and then don't follow through.
- Look for close markets first such as health food stores, restaurants who prefer to buy locally, cooperative buying clubs, and cooperative warehouses.
- Be yourself and be professional. Capitalize on the down-home, family farmer image. Always promote an excellent impression of your business and product. In a world of unsafe food, people's fears about food safety and quality outweigh any sociological considerations they may have about agriculture. You must appear to be intelligent, well-organized, and committed to quality to build the trust you need to make that sale.
- Avoid negative advertising that could drag down the beef industry. Instead, compare your beef to other species, especially chicken, except when you are selling your own.
- Sell chest freezers. Offer free delivery.
- Be positive when presenting grass-fed beef.
- Building this market takes steady work. Progress is

made incrementally.

- Diversifying your sales product mix helps sell beef. Chickens are especially effective since they are a smaller unit and less expensive to try. If a customer has one positive experience, they are more likely to come back again and try another product for the first time.
- You have to project confidence in the safety of your product.
- Remember, if it were easy, everyone would be doing it.
- Tap into the customer connections of natural health care providers by target marketing through homeopathic doctors.

Customer Profile

Target your marketing to the right customer. Producers have found that individuals with an existing interest in healthy, lean meat are the choice consumer niche. Simply advertising to consumers with affluence but unknown health interests doesn't pay off. Following are some of the interests of consumers within the grass-fed beef marketing niche:

- Good taste
- Pesticide-free food (for customers with chemical sensitivities)
- A healthy, high-protein diet (for reduction of cancer risk or for cancer patients)
- No growth hormones, antibiotics, or animal by-product rations
- Safe food with no danger of E. coli or BSE
- Lean meat
- Animal welfare
- Cost-saving through prices lower than the store
- Convenience
- Desire to support producers and eat locally raised foods (for urbanites moving to rural areas)

One common barrier all producers face is consumer confusion about grass-fed beef. Often consumers have perceptions of toughness, old cow meat, Argentina beef, or off-flavors. There is no commodity group or association promoting this product to the market. Also there is a need to know what product claim (“free range”, “grass-fed”, “lean”, etc.) is best for the consumer. There is a need for commonly recognizable qualification standards, name recognition, and possibly third party endorsement.

Soliciting Customer Feedback

Listen very carefully to what your customers say. Listen for which messages catch their interest. These are the messages you will want in your promotional materials.

Customers who complain are valuable, because they are telling you about your quality. It is the customers who you never hear from that really hurt you.

Peggy and Richard Sechrist send out an evaluation form to all of their customers, and they receive a 20% response rate. If customers note complaints on their evaluations, the Sechrists contact them immediately by phone. “If they have any kind of issue at all, we want to hear it,” said Richard. “If we haven’t heard from them, we send out a new brochure and feedback form and ask them again for their feedback.”

The Sechrists send out the first form 2-3 weeks after the purchase. Their evaluation form asks the following questions:

- Were you satisfied with the meat overall? If not, why?
- Do you feel that you know how to handle lean beef in preparation and cooking? Would additional recipes be helpful?
- How many times a week do you eat beef?
- Would you recommend this beef to your friends?
- Do you want to make a brief statement that we can use in our brochure for marketing beef? If so, please use the back of the page for comments.
- Are you interested in whole processed range-fed chicken? If so, how many per month? Whole processed rabbit? If so, how many per month?

Customer Education

Customers need to be re-educated about beef preparation. Customers are likely to overcook grass-fed beef and cook all the moisture out of it.

Word of mouth advertising can be slow. Direct mail often has a low rate of response. A major constraint is being in a low margin market that doesn’t allow for

high marketing expenditures. The inconvenience of direct purchases adds additional barriers. A farm newsletter helps maintain contact with customers. A simple and regular newsletter can be used to highlight special farm attractions and price discounts.

Encourage farm visits. The folks who come to visit will advertise for you.

Use testimonials from customers and dieticians in attractive, organized, and intelligent promotional materials. It pays to look professional and ready for success.

Cooking Tips

Cooking instructions and recipes are key to helping customers have a positive first experience. Instruct customers that grass-fed beef will be more lean, so they should cut their cooking time by a third. Ground meat must reach an internal temperature of 160 degrees. Covering ground beef will keep it more moist and more quickly raise the temperature. Use liquids (olive oil, salt water, teriyaki sauce) on grilled beef to keep it moist.

One grilling tip is to take the beef off the grill before it’s done to the desired point. The heat will continue to rise in meat for 10 minutes following grilling.

Argentinian cooks continually baste grilled meat with salt water. A marinade can be used to soak cuts during grilling.

Selling at Farmers’ Markets

Take orders over the phone and at farmers’ markets for future deliveries at the farmers’ market. Then you will have much of your freezer space spoken for when you go to market. In addition, the customer has agreed to come to purchase from you. Old customers flocking to your stall will attract new customers.

Strive for regular hours at the farmers’ market so that your time is well compensated for. This point may take a few years to reach, but if you have 50 - 75% of your freezer space spoken for, and you tell all customers that you will be at your market stall at a specific time, it will make the experience much more efficient for you. Also ask customers if they would like a monthly reminder call about purchases.

Packaging

Cyrovac packages let the customer see their purchases. This is extremely important, especially for the new customer. Use Cyrovac on everything except soup bones. Expect to pay 10 cents per pound extra for this service. The Cyrovac can stretch over the corners of the meat, reducing the thickness of the plastic. A higher quality plastic with wide sealed borders will reduce the chances of damaged packaging. Give bulk customers the option of paper or Cyrovac.

Ask the butcher to make square packages of the ground beef and beef cubes. They pack better and fit in store shelves nicely. The processor puts a pound of ground beef in a Cyrovac package and then flattens the packages to fill corners.

Customers want to buy beef that is packaged like beef in the store (i.e. smaller portion size, Cyrovac packaging, no carcass weights that confuse them, etc.). Few customers are willing to buy a quarter or half of a beef. An alternative is to sell boxed packages of various cuts. These boxes can range in size from 20 to 70 pounds.

Restaurants

Sell soup bones to restaurant chefs. Because your beef was grass-fed, the soup bones will be more flavorful. And if you use a small locker, your soup bones will be "higher yielding." These things get chefs really excited!

Selection of Meat Cuts

Put some rounds, if not all, into one-pound packages of closely trimmed "beef cubes" perfect for stews, stir fries or kabobs. This product is very versatile in the kitchen, and it can increase the return from hard-to-move round steaks at no extra butchering cost.

Use cull cows for extra ground beef if necessary. Using all the cuts (except tenderloins) for the ground beef will make exceptional ground beef, and it will give you a much higher gross margin than steer or heifer beef because of the relatively low cull cow market price. The tenderloins can be sold for \$10 or \$12 per pound. An overnight-marinated and grilled tenderloin can be very satisfying.

Nutritional Labeling & Product Claims

A generic "check off" label saves costs on label printing and design. Such a label would have boxes for all cuts and the butcher merely puts an "X" on the

appropriate box.

Distinct advantages of grass-fed beef are taste and leanness. Any claims that compare grass-fed beef with other meats must comply with a zero tolerance prohibition. That means your facts and figures must be exact and verifiable. If out of compliance, Food Safety Inspection Service (FSIS) can intervene and conduct verification lab tests. With standard nutritional labeling in which you state how much fat or nutrients there are in a serving without any comparisons to other meat cuts, there is a more forgiving 20% tolerance for error.

The Nutrition Labeling and Education Act of 1990 (NLEA) requires nutrition labeling for most foods (except meat and poultry) and authorizes the use of nutrient content claims and appropriate FDA-approved health claims.

The regulations, most of which went into effect in 1994, call for nutrition labeling for most foods. In addition, they set up voluntary programs for nutrition information for many raw foods, including the 20 most frequently eaten fruits, vegetables and fish (under FDA's voluntary point-of-purchase nutrition information program) and the 45 best-selling cuts of meat (under USDA's program).

The US Food and Drug Administration web site for food labeling regulation information is at: <http://vm.cfsan.fda.gov/label.html>.

Food produced by small businesses is exempt under 1993 amendments to NLEA. The NLEA amendments provide for a system in which exemptions are based on the number of people a company employs and the number of units within a product line it makes yearly.

Under this system, the allowances for each factor are gradually lowered. After May 1997, only businesses with fewer than 100 full-time equivalent employees producing fewer than 100,000 units within a product line for U.S. distribution can qualify for an exemption.

Almost all companies seeking an exemption will have to notify FDA that they meet the criteria. Those that do not have to notify FDA are U.S. firms with fewer than 10 employees making fewer than 10,000 units of a food in a year.

Although these foods are exempt, they are free to carry nutrition information when appropriate, as long as it complies with the new regulations. Also, they will lose their exemption if their labels carry a nutrient content or health claim or any other nutrition information.

Further information about the small business exception can be found at: <http://vm.cfsan.fda.gov/~dms/sbel.html>.

A summary of the application of the NLEA to meat and poultry products can be found at: <http://ifse.tamu.edu/ifse/label.htm>.

A summary of the NLEA standards states the following:

FSIS requires mandatory nutrition labeling for most meat and poultry products except raw, single-ingredient products. Packages of chili and hot dogs, for instance, must bear nutrition labeling panels.

FSIS encourages voluntary nutrition labeling on raw, single-ingredient meat and poultry products, such as beef roasts, raw chicken breasts, and ground beef.

While descriptive claims like “light” and “low-fat” have long been used on food labels, their meaning (and their usefulness in helping consumers plan a healthful diet) will now be defined in regulations. FSIS has set specific requirements for using the following terms: free, less, light (lite), high, low, reduced, lean, more, and extra lean. For example, if a meat or poultry processor describes an individual food as “low in fat,” the food must meet the specific FSIS definition: three grams or less of fat per reference amount customarily consumed (RACC) by an individual. If an individual food is described as “low in calories,” it cannot contain more than 40 calories per RACC.

In addition, meat and poultry products can use the terms “lean” or “extra lean” if they meet specific definitions. Lean refers to a serving of meat and poultry with less than 10 grams of fat, 4.5 grams or less of saturated fat, and less than 95 milligrams of cholesterol per 100 grams. Extra lean refers to meat and poultry with less than five grams of fat, less than two grams of saturated fat, and less than 95 milligrams of cholesterol per 100 grams. Often the brand name of a product will use a nutrient content claim, for example, “Lean Cuisine.” FSIS permits use of a nutrient content claim in a brand name if the product meets the required definition of the term. A brand name containing a descriptive term that is not defined by the regulation is permitted only if it was in use prior to November 27, 1991 (the date of the proposal). If a firm adopted the brand name after November 27, 1991, it must petition FSIS to use the term. Definitions of the above label claim terms can be found at: <http://www.lbcommunity.com/family/yhnutn0497.html>.

Provocative discussions of the history of the NLEA as it applies to meat, prepared by the Center for Science in the Public Interest, appear at: <http://www.cspinet.org/nah/junebee.html>, as well as <http://www.cspinet.org/new/beeflabl.html>.

A few food laboratories experienced in analyzing food for compliance with the NLEA include: Warren Analytic Laboratory, 650 “O” Street, Greeley, Colorado 80632-0350, telephone (800) 945-6669.

Warren’s web site is at: <http://www.warrenlab.com/index.htm>.

TPC Labs, Pillsbury Technology Center East, 737 Pelham Boulevard, St. Paul, MN 55114. Telephone: (800) 400-2390. TCP’s web site is at: <http://www.tpclabs.com/about/about.html>.

Based upon the above, following are some summary points:

- Direct marketers who sell processed meat products such as hot dogs or sausages must affix a nutrition label in compliance with the NLEA, unless the marketer is exempt as a small business. It is not clear whether the label must be affixed if the processor fails to qualify as a small business.
- If you use the term “lean” or make representations concerning your product as a source of fatty acids or other nutrients, the product must comply with the NLEA label requirements, including laboratory analysis to back up the representations.
- If lean is on the label, you will need to meet lean standards. Tests cost approximately \$30 for fat, \$135 for saturated fat, and \$112 for cholesterol.

USDA Grading Standards

Some producers use USDA grading cards to bracket their product within the select to mid-choice. This allows them to maintain product consistency. The rest is marketed through residual markets. Another producer has beef that is 40% leaner than choice. Most producers find USDA standards a barrier to marketing their grass finished beef. An illustration of this contradiction is the USDA’s food pyramid which tells consumers to eat less fat. However, USDA’s grading system with prime and select turns the food pyramid upside down.

Aging

Aging is critical to tenderness and taste. Generally producers recommend at least 7-10 days for aging. “Aged for 21 Days” can be an excellent marketing tool as a measure of quality. It is something only some of the smaller lockers can offer.

If a carcass can sit at room temperature for 40 minutes before chilling, enzymes begin tenderizing to reduce cold muscle shortening. The risk with this chill delay is populating surface bacteria. Misting the hot carcass with vinegar and water in a one-to-one ratio in

a mister squirt bottle helps to depopulate bacteria. Ideally, the plant will have a drip cooler to cool down the carcass and then an aging cooler to reduce temperature fluctuations. Bacteria will bloom on the lean meat first while the fat protects the carcass. The bacteria-laden meat first appears shiny and then colors to green with an odor. Mold with hair on the carcass is desirable to European consumers.

Evaporators in the processing plant will collect and distribute the bacteria throughout the chill room. You can check out a processor by smell. A ripe smell indicates high bacteria.

Product Pricing

One producer recommends the following points:

- Add 25 cents per pound as a marketing cost until you figure out exactly what your marketing costs are.
- If you are going to offer “per cut” prices, make sure you mark them well above the prices you figured for bulk orders. There will be a lot more handling and time in marketing per pound. Local grocery store prices can serve as a good gauge.
- Compare your price per pound for an average cut of beef to the average grocery store price per pound. It is worthwhile to spend some time jotting down prices in local stores, taking them home and averaging them up. You can be 2/3 or less than the average grocery store price. These are provocative words to most shoppers.
- Figure the total cost of a beef at local grocery store prices and compare it to your whole beef total price. The savings should be around \$400. Enough to buy a chest freezer!

Seasonality

Be careful about supply since this can be a significant limiting constraint. Buyers, such as restaurants, have to know that you can deliver upon your promise. Seldom do you get a second chance. Production costs are higher and marketing is more difficult through the winter months. Whether you sell seasonally, frozen, or fresh will be a strategic decision.

Specialty Products

One producer has developed a beef natural jumbo hot dog which weighs 1/4 pound. Ground chuck is put into the hot dog for a lean product with bratwurst seasoning (onion, garlic, salt and pepper) within a natural casing. He retails the jumbo hot dog for \$4 per pound.

Another producer has an all-natural beef jerky made from rounds.

Tenderness

Tenderness is related to muscle fiber characteristics more than fat content. Producers using quicker maturing animals such as Angus and Hereford reduce tenderness problems. Producers also slaughter at a younger age (under two years) and lower weight (850-950 pounds). High quality forages, a high rate of gain, and low stress improve tenderness. A blind taste panel and a Warner-Bratzler shear machine can provide improved quality control.

Production Guides

- Manage your forage grazing for a fast rate of gain (2 pounds per day) especially during the final 60 days.
- Keep animal stress to a minimum.
- To improve tenderness, slaughter younger animals (18-24 months) at a lighter weight (850-950 pounds).
- Select for medium-framed and early maturing cattle with genetics to fit your environment.

Research

“Natural Beef: Consumer Acceptability, Market Development and Economics” is a publication that provides information on developing a marketing plan, and it presents four producer case studies. Funded by the University of California Sustainable Agriculture Research and Education Program, this publication is available on the Web at <http://www.sarep.ucdavis.edu/grants/reports/nader>. You can order a copy by calling (530) 752-7556.

Marketing for a Profit

You need to make sure your economic engine generates profits. Start your marketing efforts with an analysis of your gross margin as you account for all direct and indirect costs including delivery and labor. As you progress in your marketing, you will get more accurate figures and a more realistic gross margin analysis. But get started and do the budgeting monthly.

You can't expect to have the volume break-even right at the beginning, but be sure your model is “sustainable” including your invested labor, and be sure that it does have a breakeven in sight. Following is an example provided by David Schafer from Trenton, Missouri on how to figure a “gross margin analysis” for bulk whole beef pricing. Schafer suggests using that

figure to come up with prices for halves, mixed quarters and individual cuts depending upon the extra marketing work involved. The worksheet on the following page will help you complete a gross margin analysis of your beef marketing enterprise.

“Purchases” is the price you originally paid for the beef animal. If you raised the animal yourself, it is the price you would have received for your beef animal at a given point in time. As an example, let’s use a 600-pound steer you bought at 65 cents per pound. The purchase price would be \$390 (600 x \$.65/lb) whether you bought him or raised him.

“Closing value” and “Opening value” have to do with inventory. Since in this example we are dealing with one animal - just to figure a price for direct marketing - both would be zero. So the “Cost of Sales” = \$390. Next figure “Direct Costs” by plugging in your own direct costs. As an example, plug in the following: “Butcher” (\$180); “Feed” (\$54 figured as an opportunity cost of pasture rent for 180 days); “Interest” (\$19.5 figured as 10% of \$390 for six months); “Freight” (\$30 figured as mileage to slaughter); “Marketing” (\$112.50 figured on 450 pounds dressed weight @ \$.25/pound); “Misc.” (\$3 for health supplements). The “Total Direct Costs” would then be \$399.

Now, knowing DC (\$399) and CS (\$390) we can work back to establish a price that will give us a desired percent return. Schafer sets a goal for at least 30% return for beef. Since Percent Return = $GM/(CS + DC)$, $.3 = GM/(\$390 + \$399)$ or $.3 = GM/789$ or $GM = (.3) 789$ or $GM = \$236.70$. Therefore, “Gross Product” ($GM + DC$) = \$635.70, and “Gross Income” ($GP + CS$) = \$1025.70 Since “Closing Value” is zero, “Sales” ($GI - CV$) = \$1025.70, too.

With a 450 pound dressed weight on this steer, you would need to receive a base price of \$2.28/pound (\$1025.70/450 pounds) to achieve a goal of a 30% return. This would then become the price per pound on a whole beef.

“Percent Return” can be allocated to your labor, a convention Stan Parsons uses to allocate labor as an overhead expense. While Schafer agrees it is an overhead expense, a more accurate picture of each enterprise would be to figure your labor hours, put a price on them and add those to the direct costs as well.

REFERENCES

Information for this marketing guide was taken from a series of meetings involving the following producers and marketers:

- Larry Bisno, Rt. 2 Box 95, Urbana, MO 65767, (417) 993-5374, larry_bisno@noble.net.
- Stephen and Kay Castner, 8707 Kaehler’s Mill Road, Cedarburg, WI 53012, (414) 377-9377, slc@execpc.com.
- Rick Habein, Habein Livestock Company, 47-5080 Hawaii Belt Road, PO Box 2919, Kamuela, Hawaii 96743, (808) 885-9646, habein@aloha.net.
- Dave & Lisa Reeves, Waterfall Hollow Farm, Rt. 3 Box 345, Berryville, AR 72616, (501) 423-3457.
- Paul Rohrbaugh, Pawnee Pride Farm, Rt. 1 Box 66, Steinauer, NE 68441, (402) 869-2396.
- David Schafer, Schafer Farm, 56 SW 52nd Ave, Trenton, MO 64683, (816) 359-6545.
- Peggy and Richard Sechrist, Homestead Beef, Rt. 2 Box 184A, Fredricksburg, TX 78624, (830) 997-2508, richard@fbg.net.
- Pat Steffen, 55582 887 Road, Fordyce, NE 68736, (402) 357-3702.
- Annie Wilson, Tallgrass Prairie Producers Cooperative, Rt. 1 Box 53, Elmdale, KS 66850, (316) 273-8301.

CREDITS

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The Kansas Rural Center is a private, non-profit organization that promotes the long term health of the land and its people through education, research and advocacy. The Rural Center cultivates grassroots support for public policies that encourage family farming and stewardship of soil and water. The Rural Center is committed to economically viable, environmentally sound, and socially sustainable rural culture. For more information, contact the Kansas Rural Center at PO Box 133, Whiting, Kansas 66552 or (785) 873-3431.

Gross Margin Marketing Worksheet

SALES		\$ _____	
CLOSING VALUE	+	\$ _____	

GROSS INCOME (GI) =			\$ _____
PURCHASES		\$ _____	
OPENING VALUE	+	\$ _____	

COST OF SALES (CS) =			\$ _____
GROSS PRODUCT (GP = GI - CS) =			\$ _____
DIRECT COSTS (DC)			
BUTCHER		\$ _____	
FEED		\$ _____	
MARKETING		\$ _____	
FREIGHT		\$ _____	
INTEREST		\$ _____	
LABOR		\$ _____	
MISC.		\$ _____	

TOTAL DIRECT COSTS =			\$ _____
GROSS MARGIN (GM = GP - DC)			\$ _____
PERCENT RETURN =	$\frac{\text{GM}}{\text{CS} + \text{DC}}$		_____ %
