

December 2007

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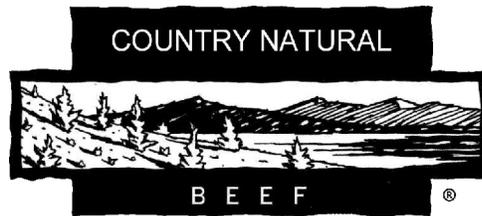


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Hatfield, Doc and Hatfield, Connie, "Country Natural Beef...."an idea to be constantly examined" (2007). *Range Beef Cow Symposium*.
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Country Natural Beef...."an idea to be constantly examined"

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That "idea" is now imbedded in a cooperative with over 100 family ranch's plus a number of prospective member ranches who together own more than 100,000 mother cows and operate on well over 4 million acres of rangeland. The cooperative which started marketing in 1986 with 3-5 head per week will in fiscal year 2007 market over 50,000 head of cattle as boxed beef primals, hamburger and hot dogs.

A working partnership with Beef Northwest Feeders in Boardman, OR and ABFoods (formerly Washington Beef) at Toppenish WA allows individual ranchers to maintain ownership and control of our cattle as boxed beef primals until they reach our retail partner's meat coolers.

Marketing is focused on making a direct connection between the land and the meal *ie* the rancher and the eater. CNB retail outlets consist of long term working partnerships with selected natural food based retailers in San Francisco, the Seattle area, Oregon, Idaho and a handful of stores in Alaska. In 2004 Whole Foods Market asked Country Natural Beef to expand and supply their meat departments in the Colorado and Texas regions. A fledgling sister organization with working partnerships is presently in place centered at Hereford, Texas with a gathering feedlot, packing house and ranchers from Wyoming, Colorado, New Mexico, Arizona, Texas and Louisiana as a nucleus. This sister unit is critical to maintain the direct connection between the ranchers and eaters in those regions.

All our retailers, including Whole Foods, are moving their promotional focus beyond brand name by featuring their direct connections to specific regional family ranches. Since Country Natural Beef ranchers own, control and finance our beef from birth to the retail cooler, we welcome this further step as a core differentiator for us and our customers.

In addition to our retailers providing more value to their customer's meals, this connection gives pride and meaning to our rancher's work. Following is an example of one of our

paradigm changes. We ranchers know that when we pregnancy test, that embryo will be profitably sold in approximately 27 months to a retail outlet with an end customer who appreciates the values our beef contains. And those values go way beyond a grid based commodity selling system based on fat, hide color and red meat yield.

The above paragraphs are the nuts and bolts left brain (linear & analytical) description of Country Natural Beef. The right brain (creative & feeling) description is more like this.

*We are Country Natural Beef, a cooperative of artisan ranchers scattered across
the west. Our roots extend a century and a half deep to a time when our
ancestors
were settling the west.*

*We have a passion to communicate our beliefs about the land through a beef
product you can savor and trust.
Our product is more than beef.*

*It's the smell of sage after a summer thunderstorm
The cool shade of a Ponderosa Pine forest.*

*It's eighty year old weathered hands saddling a horse in
the Blue Mountains
The future of a six year old in a one room school on
the High Desert.*

*It's a trout in a beaver built pond
Haystacks on an aspen framed meadow*

*It's the hardy quail running to join the cattle for a meal
The welcoming ring of a dinner bell at dusk.*

The point is, from high mountain meadows to thick aspen groves and miles of sagebrush filled flats and canyons, Country Natural Beef cattle live in beautiful places.

In 1986 fourteen family ranches formed a consumer driven beef marketing cooperative with a vision to preserve both...those beautiful places....and... the rural culture and families that nurture them. Country Natural Beef is a conduit allowing individual family ranches to own, control and finance our beef from birth of the calf to our retail customer.

**this conduit serves as a two way bridge providing value to our
urban customer's meal and meaning to we ranchers work.**

In 1986 we fourteen ranchers did not understand the economic and emotional value a direct connection between the ranch and the customer represented. Likewise we had no idea that this marketing project would restore our pride in producing beef that a known customer wanted. We wanted to preserve those beautiful places because they were our homes as well as the homes of our cattle. Way too many family ranches had already been sold, and in 1986 the future appeared worse not better for economic sustainability in the ranch business.

1986 was the fifth year in a row with skyrocketing interest rates, plummeting land values and more beef available than the market wanted. Not only that, in Oregon, the environmental community was fiercely attacking ranchers for their land practices which in too many cases were damaging streams and fish.

Connie was puzzled with all this negative publicity about beef and went to a fitness center 55 miles away in our closest town... Bend, Oregon. She asked to see a fitness counselor to ask his opinion of red meat. They said...."we'll go get Ace". Ace was a 25 year old Jack LeLane (the pioneer of the fitness movement) and full of enthusiasm. He said, "I recommend red meat three times a week for my fitness clients". Connie said, "I'm happy to hear that". Ace continued, "but we are having the hardest time getting Argentina beef in here to Bend, Oregon". "And why is that", she responded". "Because it is raised without hormones and antibiotics and is short fed....doesn't have all that excess fat".

Driving home she thought, "Here I am a rancher going broke 55 miles from this guy who wants what we can produce and we're not marketing it!!" She called some ranch families we had gotten acquainted with through Holistic Resource Management and other environmental solution groups. These folks were located throughout eastern Oregon, and we knew they viewed the world from a somewhat non-traditional perspective. We invited them as families to a meeting at our home. She invited Ace to come and explain to everyone what he'd told her.

At that meeting a couple we did not know came with some other friends. They were almost 70 years old. The woman's name was Grace and she was a spunky little lady about five feet tall. Connie was making name tags. We had Ace, our accountant and a handful of other non-ranchers present, and Connie was putting on the tag who everyone was. She said..."Grace are you a rancher?" It was silent for a while and Connie was worried she'd broken the code of the west for at that time ranching was mostly a male dominated business. Then Grace said, "you're darn tootin I'm a rancher...been a rancher all my life but never thought of it that way. You put rancher on that name tag".

That meeting of about thirty folks sitting on the floor and scattered around our small living room was the first we had ever been to where men and woman and multi-generations from their 20's to their 70's were all talking about what we were going to do to survive. We heard Ace who said there was a growing health conscious market that we should fill. Everyone participated equally because we were trying to figure how to reach the end consumer who might want something we could produce. None of us had any experience or history of how to do that.

At the end of the meeting we took a rough count and figured we had about 10,000 mother cows represented in our living room. Someone appointed Connie delegate of responsibility to go to Portland and find a market for our mother cow's offspring that would fill some sort of a special unique niche. With the help of a few other ranch ladies that is exactly what she did.

It's much easier for women to grasp and communicate the concept of raising cattle to meet a consumer need. Ranch men are so tied to making their profit in the segment of the industry they're most comfortable with, that it's hard for them to think beyond old profit-makers like maximum gain at the feedlot or cheap pounds on grass. Creating a year around supply of a quality product means that at some times of the year maximum production efficiency is not possible. The senior author of this article believes that it is the woman, and multigenerational composition of Country Natural Beef which has allowed it to flourish.

The Organization

The first step in Country Natural Beef that occurred at our second meeting was writing a goal. The organizational goal has served us well for over two decades and is still fully applicable.

Country Natural Beef Organizational Goal

“Marketing is consumer driven. Our goal is to provide a sustainable means through a group to profitably market quality beef products desired by the consumer while maintaining every possible independence.”

“Our plan is to return proceeds realized from marketing Country Natural Beef to the rancher, rather than for the organization to acquire capital assets”.

“Guidelines for the organization are: to be grass roots producer-controlled, to contain a bare minimum of administrative costs, and for the costs of operation to come from a percentage of producer's revenue. Country Natural Beef is an idea to be constantly examined, not an entity that can be bought or sold.”

In 1986 we ranchers had no “extra cash” but owned a lot of cattle that were not worth anything on the commodity market. Instead of raising capital as most new businesses do, we each put up “cattle capital”, and took turns putting modest numbers....15-40 head.....in a small feedlot owned by one of our members and financed our own beef to retail. *We built relationship partnerships with every entity between the ranch and the consumer.*

Our marketing has been consumer driven from the beginning. Connie's question to potential customers in Portland, OR was.....”I represent a group of ranchers in eastern Oregon with

10,000 mother cows. What form could we put that beef in that would fill a need you are not meeting”? She got an appointment with everyone she called including some very large retailers who were beyond our capacity to supply. No one in the beef industry, and especially a woman rancher, had ever called and asked them what they needed.

The initial consumer need we identified;

- A smaller cut of a leaner beef grown without added hormones and antibiotics and with a direct connection to the family ranch who raised the beef.

Additional needs we have identified in the last 20 years;

- Grazewell principles...a set of criteria to which all members ascribe that documents our grazing is done in an environmentally sensitive manner.
- Vegetarian diet (several years before BSE occurred)
- GMO free feeds (not so important now because cross pollination makes it impossible to verify)
- Documented humane low stress animal handling techniques and facilities. (based on Bud Williams and Temple Grandin’s work)

Country Natural Beef Membership requirements:



- Deliver cattle as committed 12-18 months in advance
- Attend two three day membership meetings per year
- Spend one weekend in the city talking with CNB customers and sampling beef.
- Spend one day hosting customers on the ranch...customer appreciation day type event, or a rancher sponsored environmental tour.
- Third party Food Alliance Certification for humane livestock handling and respect for the land and people. This includes our grazewell principles. foodalliance.org

What is the premium??

We are not connected to the wild swings in price which are part of the commodity market. Country Natural Beef returns (and the stable meat prices our customers pay) are based on a *cost of production, return on investment and reasonable profit* model we ranchers developed which is updated every year. The commodity price of cattle and meat does not affect us except for kill shrink (cattle in the program that don't meet specs) or fabrication shrink (cuts that have to be sold on the open commodity market). We work very hard to keep those two big items of shrink at a low level.

But how does that compare to the commodity market? This is where CNB has developed a new paradigm....we are no longer in the cattle business.....we have taken a highly capital intensive business.....the ranching business and mobilized those assets to form what amounts to a wholesale meat company to get product to retail. ..Part of CNB's model is that everyone from the rancher, to the trucker, to the feeder, to the packer, to the distributor, to the retailer to the final customer has to achieve a fair return to their bottom line or the program will not be sustainable. It's sad to say that the Country Natural Beef program is unique in agriculture today.....an industry which historically has one segment profiting while another is losing and almost no one is focused on the end customer's needs in a meal.

What are the breed and grid requirements?

They are determined by our feeding and carcass standards.....our shorter feeding period and longer time on grass has sorted out some breed differences over the past 20 years. Our bullseye (top criteria) calls for a 650-775 pound carcass with a 12-14 inch ribeye, 0.2-0.4 backfat and a YG 1 or 2 with a high select or low choice marbling score.

Most straight British heifers have difficulty making weight and ribeye size without exceeding YG 2. Heavily influenced European cattle have trouble making the marbling scores with our short 90 day feeding period and may have too big a ribeye. The result is while we have a few folks with straightbred English cattle, most have an Angus-Hereford base with a bit of European influence. While we don't have that many folks with somewhat old fashioned straight Angus, those cattle bred to a moderate Charolais produce both heifer and steer carcasses which readily hit the bullseye.....just like they did 40 years ago! And that bullseye target fits almost any retail or food service customer in the country....All our cattle are USDA graded and average around 60% choice. We mix the high select and low choice in the same box and do not label it by gradeWe have enough high choice and prime to fill the needs of our retailers dry age programs, but we don't label that by grade either.....Our customers know that we only fabricate the heavier marbled beef as 107 ribs and 3 piece loins. The low selects and standards are kill shrink and don't go in to our program.

The reason for not putting the grade on the box is we want our product to be sold for its taste and tenderness as Country Natural Beef....and not attempt to articulate it's value through a USDA Grade. We ran an extensive taste and tenderness evaluation on 96 random samples from seven different ranches several years ago at Texas A & M. Our high select actually rated just a little better than the low Choice. We do not get complaints on taste and

tenderness.

The personal philosophical history that got us here

Doc received a DVM from Colorado State University in 1962 and spent a couple of years working in a large animal practice in NE Oregon. He and Connie who had grown up in Colorado and also went to CSU, got married in 1963. Then following two years as an army veterinarian in the packing houses of Ft Worth, Texas during the early Vietnam War years, we moved to Montana and started a new beef cattle and horse veterinary practice. (Connie answered the phone, did the books, and sent Doc by radio to where he needed to be to save lives) We owned that practice from 1966 to 1976, built a clinic, added another veterinarian, built up a small ranch (200 cows) on the side, and witnessed tremendous changes in the cattle business.

In 1966 most of the cattle were somewhat old fashioned Hereford and Angus who lived on what Montana ranches had to offer with a minor amount of extra feed and care. By 1976 introduction of the European breeds and single trait performance testing of the British breeds had already created a number of animals that required substantially more feed and management than most ranches had readily available.

We were right in the middle of all that change with both our own ranch and our clients operations. It was a one day trip to Calgary, Canada where each new imported sire....French Charolais, Simmental, Limousin, Maine Anjou, Salars and Tarentaise were in service at their new home in the beef stud west of Calgary. The excitement and pure euphoria of that time period in the cattle business is hard to articulate.....and we experimented with all of the above through our artificial insemination program.

By 1973 we realized that extra production came with a very large price tag. Our southwestern Montana ranch was based on sprinkler irrigation with purchased water which required significant fertilizer and labor to achieve acceptable production. In 1973 we switched from bigger to "fault free" production and went to a Red Angus / Tarentaise / Hereford cross program which eventually led to a composite program which we are still following today over 3 decades later.

In 1976 we sold the practice to our junior partner, and traded our beautiful scenery laden sprinkler irrigated ranch for a rawhide desert operation near Brothers, Oregon on the High Desert. We moved to the desert with a very strong philosophy that "it's not the ranches job to produce what the cow needs to perform, it's the cow's job to perform on what the ranch can best provide"!! Our ranch is at the very top of the great basin and is a sagebrush, juniper bunchgrass outfit with some wild meadows. Part of our ranch is located where the wind blows the snow off so we are able to graze year around. We do no farming or haying but do buy alfalfa hay to supplement our winter grass....usually about a quarter ton per cow per winter. Today our son, Travis and daughter in law, Cynthia with occasional day labor from the authors run 400 cows on 28,000 acres with no additional hired help except for an occasional intern and grandchildren during AI. We still breed almost all our cattle AI, mostly with semen from bulls we have developed ourselves with a focus on "fault free" traits as well as carcass traits.

Fault Free & Fitness Traits

1 *A good disposition*...."nervous high headed" cattle cost more in time and stress than their production can ever repay. We cull them.

2 *Breed in 30 days as a yearling*.....this requires heifers to be in heat by 12-14 months of age on a modest feeding program and guarantees that only the highly fertile females will go into the herd. Heifers which fail to conceive in 30 days of AI are fed out and contribute to our carcass data bank.

3 *Calve without assistance*.....every cow on our ranch calves as a 2 yr old heifer without the aid of a calf puller or is culled. This practice maintains our cow's pelvis size.

4 *Strong mothering instinct* (lick & protect her calf).

5 *Good teat and udder conformation.*

6 *Sound feet, legs, eyes and no prolapses.*

7 *Breed back every year* in a 60 day breeding season.

8 *Longevity and natural fleshing ability.*

9 *Early maturity*.....We castrate bulls with less than a 32 centimeter scrotal circumference at 12 months. (Research has documented that scrotal circumference in bulls is closely correlated with the age and weight at which heifer mates come in heat for the first time) A heifer must also be nearly mature as a two-year- old to breed back on time for her second calf as a three year old.

Production traits

10 *Milking ability to wean a heavy calf*....In our environment a heavy calf is 450-500 pounds at 6 months of age.

11 *Growth traits*....*our feedlot growth target is from 3 to 3 1/2 pounds per day.* This potential for growth is economically acceptable at the feedlot, but more important..."back at the ranch", this growth level is compatible with moderate birth weights and optimum mature size.

12 *Carcass traits*....our carcass target is a 650 to 750 pound Yield Grade 1 or 2 Low Choice carcass with 0.2--0.4 inches of backfat and a rib-eye measurement between 12 and 14 square inches. Our retail experience confirms that this size and composition of carcass meets consumer needs ...and..."back at the ranch", replacement heifers from cattle with this size and composition of muscle and fat tolerate environmental stress and meet "fault-free" standards.

Conclusion

The point of the above philosophy and history is to provide a background to explain all the steps in the production chain where our cattle need to perform. The type of solar powered (sun to grass to beef) ranch that has been and still is economical to run from an operational standpoint requires middle of the road moderate cattle that can operate on their own in a "fault free" manner.

While there are many challenges in Country Natural Beef, consistent eating quality has never been one of them and that surprises us. Country Natural Beef is sold in over 100 meat departments...and we personally know the meat manager in every one of them. Most are service cases where the customer talks to the butcher and picks their steak out of the case. It is interesting to watch customers pick that steak.....some choose the leanest one they can find....others look for ones with the most marbling. In doing lots of demo's we regularly pick one of each kind and taste them.....we can't find any difference in taste and tenderness between high select and low to mid choice.....all would usually have 10 to 20 days age in the cryovac. **And with over 44 thousand cattle thru the program in our last fiscal year, we have virtually no complaints on eating quality. Customers are talking to the meat manager across the counter, paying over commodity prices for our beef, and certainly would complain if they had a bad eating experience.**

Our theory why we don't have complaints which may explain our eating quality results:

- Our beef has been raised from birth and owned to retail by each individual rancher
- They are all practical middle of the road cattle that fit well on low input lots of space kind of ranches.
- They have never needed to be treated with an antibiotic.
- They have never been implanted.
- They have been handled at every step of the way with low stress...Bud Williams, Temple Grandin style handling and facilities.
- They have spent more time than most beef in an open range healthy environment.
- All receive the same ration in one feedlot with an average 3 month finishing time.
- They are slightly older than most finished beef....average around 18 months, but never over 24 months and rarely as young as 15 months of age.

Thanks for listening, and we look forward to a spirited discussion as to the importance of the above points.

