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G1420

Direct Sales of Beef

Paul Swanson, Extension Educator

This NebGuide offers producers suggestions for selling beef directly to consumers.

Successful direct selling of beef to consumers requires a different mind-set from our traditional sale of commodity beef to processors, wholesalers and retailers. The much closer relationship of the beef producer to the actual consumer creates many opportunities to provide more income from each individual animal and for the consumer to receive a product which is generally not available in the store. A growing number of consumers are interested in purchasing beef that is produced locally, on small farms or ranches, humanely raised, without implants, without the feeding of subtherapeutic antibiotics, and without feeding transgenic (GMO) grain or protein. Buyers often prefer beef that must meet an established list of requirements. The more of these criteria that you can provide to customers who believe they are important, the more valuable is your product.

Direct relationship marketing of beef requires different skills and substantially more knowledge. The sheer size of a whole beef carcass and people's experience of buying only a few individual cuts as needed make direct beef sales more challenging. Initial success will likely require compromise by the buyer and seller to make it workable for both. It will be simplest to not sell the carcass in any greater break down than one-half of one-half which is equivalent to one-quarter of beef but includes half the meat from the forequarter and half from the hindquarter. It is very difficult when greater numbers of carcasses are involved to make forequarters and hindquarters come out even in demand even when thoughtful price differentials are used. Therefore the one-half of one-half procedure simplifies both processing and marketing.

Selecting a Processor

For direct marketing of beef cattle it is necessary to establish a relationship with your most convenient proces-

sors. Quality processing for reasonable cost will be vital to your overall success. Two types of processing plants exist in Nebraska. One is an official United States Department of Agriculture - Federal State Inspection Service (USDA - FSIS) inspected facility which will have an FSIS inspector on site for slaughter and processing of the beef. This plant offers a greater range of options for your final product, including interstate and even international shipment. Additionally your beef can be merchandised by weight of the final product. USDA - FSIS official facilities also allow for labeling and the individual sale of the product.

You also can work with a processing plant that is USDA - Custom Exempt. It is only inspected once or twice a year for sanitation and facilities. Slaughter and processing are generally not observed by inspectors. According to the law, if you process in this kind of plant you will need to sell your beef as a live animal and the buyer will need to pay the processor. In addition, the meat picked up by the buyers must be labeled "Not for Sale" and is to be used by the owner and his immediate family.

When you select a processor to work with you in your direct marketing, be sure to visit with him or her about the quantity of saleable meat to expect from a representative market beef. Many persons without experience in direct marketing do not know what to expect. For example, a properly finished beef animal weighing 1,100 pounds live is likely to have a take home weight of about 440 pounds. Some variance can be due to cutting instructions for the carcass, whether final cuts are bone-in or boneless, and trimming of the fat. There also are differences in the yield of saleable meat among individual animals. Record the data you get from the animals you process and use that information for your decision-making.

Pricing

Do not underprice your product. Your beef should have attributes not generally available in retail stores. Remember, if it is not the same product, neither should the price be the same. In order to insure profitability, it is a good idea to determine the profit you need from this enterprise. Add your cost of produc-

ing the animal and all costs associated with processing into a saleable form that can be used by your customer. Finally include all expenses associated with selling your product. Including your profit *first* helps keep that important item at the highest priority. If you are not profitable, there will be no need to incur the extra work and expense that is required. Making sales does not automatically mean you have a profit.

Try to keep your operation as simple as possible by not doing ancillary consumer services such as transportation, special packaging, materials handling and refrigeration for extended periods. The commodity marketing system is very efficient at doing these, but your costs and personal energy requirements will be too high to copy the mainstream system.

Do not extend credit. An otherwise successful operation can fail when overburdened with customer credit. Finally, do not give volume discounts. Use an uncompromised F.O.B. price from your farm or the processor's site.

Relationship Marketing

Direct relationship marketing provides an ideal opportunity to educate consumers. This face-to-face situation does not exist in the commodity marketing system and may explain a great deal of alienation between rural and urban people. The direct market customer has the opportunity to know the person who produced his/her food. Previous experiences with this model have resulted in improved understanding by both groups.

By direct marketing you can have relatively small numbers of animals which normally avoids overcrowding and results in less stress on the animals. This will likely enhance product quality and can be used in advertising.

If you provide a quality product along with friendly service to your customers, you can expect the highest level of customer loyalty. Much of the marketing in the current system is dedicated to achieving customer brand loyalty, yet the customer does not have the opportunity to know the person who actually produced his/her food. Sharing your goals for farming and the environment with the people who have the most influence on your profitability, and listening for their sense of product satisfaction can build very strong bonds.

The life-style of an independent producer-direct marketer appeals to many. Things that could go wrong are under the control of the farmer and can be corrected by him or her. Problems tend to be less disastrous, resulting in less stress than farming in the industrialized model where strikes, rate increases, and plant closings must be dealt with, and farmers have no direct control over them.

Finally, you have an opportunity to build positive customer relationships. Although you must generally operate with the idea the customer is always right, should you acquire a customer who proves to be a chronic complainer you can drop his or her name from your mailing list.

Developing Clientele

A customer list of 200 to 500 people who are regular purchasers is what allows this model to work. But how do you

develop that list? It takes time. It may take two to five years to develop enough customers to provide substantial income. You can do several things to build your customer list. One of the best ways to promote a superior product is to give out samples. Your high quality product can be compared to the potential customers' quality of beef from current conventional sources.

Secondly, tell your story about your animal management system. If you are producing high quality meat, from animals that are raised humanely without subtherapeutic antibiotics and drugs and without administered hormones, or if you are raising your animals organically, let your customers and potential customers know about it. The number of people who are interested in purchasing these so-called "green products" has been growing at the rate of 20 percent per year. Growing numbers of potential customers are willing to financially reward this management model, which prevents environmental problems. When your product also tastes better, customer loyalty is at the highest level.

Finally, a committed customer may be your best "sales person." Reward them with a free product you produce but they may not have tried before when they bring new customers.

Communicating with customers is an important part of the relationship. A newsletter which "tells your story" and allows customers to order your products using a self addressed return card is a necessity. Purge your customer list to cut costs when they are inactive for more than one year. In addition, a handout brochure which also tells your story and describes products you produce complete with a current price list needs to be developed and used.

Start-up Costs

The following are estimates of start-up costs for activities associated with direct marketing.

Developing a plan, including research, takes 15 to 30 hours plus another 10 to 15 hours to consult with a processor. Creating a name and logo for your brand costs \$250 to \$750 and five hours of your time. Legal and accounting advice ranges from \$500 to \$1,250 plus 10 hours of your time. Producing a sales flyer and order form costs between \$100 and \$500 (once the name and artwork are done) and 15 hours of your time. Adding voice mail to your phone or buying a digital answering machine ranges from \$100 to \$200 plus three hours of your time. Overall, these start-up costs total \$950 to \$2,700 and 58 to 78 hours. What will you give up to accomplish this?

Characteristics of Direct Marketers

Be sure to remain flexible with the ability to learn from mistakes. Success is often based on perseverance and having enough capital and time to recover from mistakes.

A viable direct marketer will need seven essential characteristics.

1. A strong belief that they produce a superior product, based on quality, convenience, service, and/or methods of production.

2. A commitment to customers' needs and responding to them.
3. A willingness to proactively plan how to connect with customers.
4. An openness to learn from other producers, processors, or even people outside agriculture.
5. A goal that reflects their personal priorities.
6. A balance of pride in the product and humility in responding to customer ideas.
7. An acceptance of risk as part of life and agribusiness.

Direct marketing beef will not be easy. However, if you have the quality product, persistence, ability, and capital to pursue this enterprise it can be financially and personally rewarding.

Further References

The Guide to Identifying Meat Cuts — available from the National Cattleman's Beef Association
444 North Michigan Avenue
Chicago, IL 60611
Telephone: 1-800-368-3136

Salad Bar Beef by Joel Salatin - 1995. Polyface Inc., Swoope, VA \$25.00. Library of Congress catalog number: 95-071623



Making the change from selling cattle as a commodity to a branded product requires new knowledge and new activities but can be financially and personally rewarding for those who have the ability and perseverance to do so.

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