

Finding, Adding and Marketing the Value of Beef

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Introduction

There are a variety of third party verification programs and USDA certification programs within the beef industry that will enable producers to add a label to their animal that will hopefully add value to their overall operation. Programs such as “Organic” and Non Hormone treated cattle for the European Union, and Source and Age Verified, to name a few, do add value to the end product. The overall goal of course is to add value to the product you are trying to sell, and not necessarily to add value, but to find a premium for your animals to capture the best price you possibly can. Therefore there must be a customer on the other side of the gate that is willing to pay more for the value added end product than they would for regular commodity beef. This is a thought process that is driven by the changing demand of the Global, American, and you might say local consumer. The thought process is then a catalyst for new management schemes related to capitalizing on the phantom consumer that will pay more if we do more. Owners and managers are constantly trying to find new and innovative ways to increase the profitability of their operations and often times find that the added effort is not worth the value added in the end. However; there is indeed a growing population that is willing to pay extra for a product that they feel good about buying.

The Situation

River Ridge Land and Cattle Company is positioned in the Blue Ridge mountain range in the South West corner of Virginia. The cattle farm has been in current owner’s possession for the past twenty two years and has been adapting its management to become a self sustaining entity. RRLCC came under new management in January 2008 with a philosophy to hopefully, finally realize the goal of sustainability. The new philosophy is centered on the premise that every resource must pay its rent, and we must add value to every resource to maximize profitability. Resources on the property include grass, commercial cattle, timber, game, and beauty. Though we are finding different ways to add value to each, the commercial cattle operation is one resource that we spend much time identifying the value, adding the value and marketing the value.

A local movement started five years ago prompted six local producers, RRLCC owners being one of those producers, to establish a LLC in which they would market their animals as beef instead of cattle. The process was very slow to start and until this year there was no form of management. The owner’s desire to participate in this program has been the catalyst to change the entire management of RRLCC. Grayson Natural Foods is a producer marketing group grounded with the idea of increasing profitability to local producers through direct marketing. The producers of GNF agreed that there was indeed a demand for local, non hormone treated, non antibiotic injected, pasture finished and traceable beef in the region. Subsequently they began establishing protocols for what

was an acceptable product to use in their direct marketing program. As you can imagine there are many variables that must be addressed when changing a commercial cow/calf operation into a meat distribution business.

Variable 1 Breeding Season

Most producers in our area have a spring calving season and all 5 producers in GNF have a spring calving season. As you might imagine, supplying a product year round with a three month production schedule presents its challenges. We have found that animals will vary in what we consider to be market ready as much as three months. So we can adjust the feeding to fit the market schedule for a short period of time. However this still left the company with a glut of cattle for six months and a shortage for the other six months. Most retail customers want a fresh product versus a frozen product, so this presented a supply problem. Biting the bullet to change from a spring calving herd to two herds calving in both the spring and fall is a challenging decision. I am sure we will be questioned on our decision to split our herd and save back half for a fall calving season. We certainly perpetuated our cash shortage by foregoing half of our calf crop for half of a year, but we were not in the position to purchase new females and we had already culled a considerable number of cattle. This move did not require an up front cash payment, and we also had a breeding history on all females that we shifted. Another management decision we made that will not be agreeable by others was our decision to lengthen our breeding season from a 60 day season to a 75 day season to allow for a more staggered supply. By making these changes, in theory, we will have a 12 month supply of calves to devote to direct marketing.

Variable 2 Genetics

For the past twenty years the cattle at RRLCC have been developed and managed as a cow / calf operation selling at weaning. The bulk of the herd is a Brangus / Brangus cross herd that have been bred to Brangus bulls. The breeding seasons were very well managed and everything calved inside of a sixty day window. The calves were marketed through a regional video sale and were combined with other calves in the region that participated in the Brangus calf sale alliance. Since this marketing plan was, and still is a premium above local market outlets, sixty percent of RRLCC calves are sold this way. The other 40 percent of our calf crop is dedicated to Grayson Natural Foods. All Brangus bulls were sold as soon as new management took over and we subsequently culled as many eared cattle as we could to try and bring stability into our herd before we started talking sires

The problem lies in that there are, we assume, two different types of calves we are trying to produce and market them two separate ways. A calf that will fit our alliance sale does not necessarily fit our direct marketing plan, or will they? Our primary goal is to stabilize our herds by introducing as much British influence as we can. Most buyers want a black hided (Angus), and that is true with retail outlets. We felt like the type of animal that we would need to grow and finish a calf on grass with grain supplementation would need to be smaller frame, easier fleshing, and earlier maturing. Though these characteristics tend work against one another at times, our definition (for the time being) of a pasture finished animal is = 1050lbs @ 22 months of age with .25 - .35 back fat. Our target quality grade is select. In response to our newly defined pasture finished animal,

the GNF board established protocols when buying herd sires in hopes of making our end product more consistent.

Herd Sire Protocols

- All cattle processed for GNF Natural Beef must be at least 50% black Angus genetics
- Breeding cows and/or herd sires must be angus or angus X with one of the two being purebred angus
- All herd sire purchases must meet VQA sire EPD specifications as well as meet GNF natural beef specifications listed below
 - A. Yearling weight EPD in the top 25%
 - B. Frame score must be between 4.8 – 6.0
 - C. IMF > 4
 - D. REA > 13.5
 - E. Scrotal Circumference > 34

Variable 3 Consistency in Management

Consistency is a problem not only with supply, but with management. Essentially there are five producers with five different management plans to produce a product that should be consistent to every consumer from each producer. The GNF board decided to assist in eliminating as many inconsistencies as possible by setting a management protocol for every producer. Instead of government oversight there would be board oversight in regards to management practices. All beef product that is sold through Grayson Natural Foods must be raised meeting the following requirements

1.) Grown in Grayson County or Surrounding Area:

All cattle participating in the Grayson Natural Foods, LLC Natural Beef program must be raised on one of our producer's farms in Southwest Virginia or Northwest North Carolina.

2.) Identification, Source Verification and Ownership:

All animals in the program must be identified with an ear tag as soon as possible. To fulfill this requirement, all current and previous owners are required to sign an affidavit stating that cattle were raised according to Grayson Natural Foods natural beef program protocols and guidelines. Any animals purchased from an unknown seller, i.e. through an order buyer, cattle must be certified through a USDA approved process verified program (PVP) for source, age, and all natural status. Furthermore; these cattle must be accompanied with the certificate for GNF records. Cattle eligible for GNF natural beef program can only change ownership one (1) time during the life of the animal.

3.) Diet:

Once animals are weaned, their diet may contain any combination of grass, legumes, forbs, and/or stored forage feeds such as hay and haylage. Products prohibited in GNF natural beef feeding programs include, but are not limited to: animal by-products, fish by-products, etc... Forages must make up a minimum of 95% (ninety-five percent) of the ration fed to animals that will enter GNF natural beef program. Though grain and grain by-products are permitted in GNF natural beef program as needed to meet the

nutritional requirement of the animals, the supplementation of grain and grain by-products shall not exceed .5% of the animals body weight on a daily basis.

4.) Veterinary Treatments:

Proper herd health management including vaccinations and routine de-worming are a requirement within GNF natural beef program. Producers are required to maintain a viable record keeping system, follow GNF vaccine protocol, and maintain a current BQA certification. All operations and production records are subject to inspection by GNF board member upon request.

The following treatments are not permitted in the Grayson Natural Foods natural beef program:

- No hormones are allowed in feed or as animal implants
- No feed grade fly control agents are permitted
- No ionophores or beta-agonists are permitted
- No antibiotics through feed or injections are permitted

5.) Handling of Animals:

All animals must be handled in a humane manor at all times from birth to harvest.

6.) Animals Eligible for Grayson Natural Foods, LLC natural beef program:

-Steers and heifers: maximum of 27 months of age; 50% Angus genetics, with a carcass weight between 550 – 875 lbs

-Carcass quality and maturity will be determined at the harvest facility after a 48 hour chill period to verify conformance with protocol standards.

***Documentation and records of birthdates, breed composition, and health records must be provided upon request by GNF board*

Variable 4 Pasture Space

Due to the time that is required to keep these animals, space becomes an issue. The thought is that our pasture requirements will at least double when we demand our pastures to carry not just the cowherd, but also our growing weanlings and yearlings. We are taking the approach of making our pastures more efficient to capitalize on the space that we do have. We are in the process of breaking our pastures into smaller pastures with use of electric fencing products and allowing each rotation to have a minimum of 15 days rest in the spring and 30 days in the remainder of the year. We are also using winter forages and stockpiling to extend our grazing period. The variable within this variable of course is weather.

Variable 5 Marketing

Our assumption was that there is a growing demand for locally raised, naturally produced, traceable beef. Fortunately there is a growing population that desires a locally raised product and we are in the area of dense populated markets. Marketing is by and large our weakness, but we have made progress. Everyone who has preceded us in this venture has express to us that we will be stuck with tons and tons of ground beef. Because of this warning, our first priority is to sell our ground product before attempting to sell the higher end primal cuts. In the theme of adding value to our product, one thing we have done to add value to our hamburger product is to provide traceability of hamburger patties. Since we can trace our hamburger patties to the cow that raised it, we

have tremendous following of customers that want the ground beef. This is made possible by individual processing of all animals.

After jumping through the hoops to become an approved vendor for Aramark Food services, we have many outlets to market our beef. We are now currently selling the bulk of our ground product to larger colleges and universities in our region. Other markets include high end restaurants in Washington D.C. as well as Winston Salem, NC and Blacksburg, VA. There are universities, restaurants, and individual consumers that desire a locally raised; pasture raised, traceable and natural type product, we have the product, but marketing the product has its challenges. The saying that consumers are detached from its food source is true. I would argue that it probably will stay that way. Most consumers, be it local diners or restaurants, do not want to talk about animals or processing. We understand and enjoy the production end of it and our consumers understand the other end of the beef. It is probably good that it stays this way if we want to keep our customers.

Summary

We are changing our genetic composition, frame size, breeding seasons, and grazing management to be able to provide cattle to the Grayson Natural Foods program. We now have two different breeding seasons to accommodate a consistent supply of animals and have lengthened the breeding season to 75 days. This year we will add at least one more breeding season and will be lengthening the season from 75 to 90 days. We are eliminating the Brangus influence of our cattle, culling on degree of Brangus influence and disposition, and replacing them with British influence (primarily Angus). Our grazing is changing from continuous grazing to a more intensive rotational grazing. Our goal is to give every pasture a minimum of 30 days rest before turning cattle in. We are also using stockpiled forage, small grains and annual ryegrass to extend our grazing seasons. We are trying to eliminate as much hay needs as we can.

Though it has been a slow start and hard learning lessons, RRLCC is now marketing nearly half of its cattle as beef instead of weaned calves. Adding the value of locally raised and naturally raised to our label, participating producers are now receiving approximately \$180 cwt live weight for cattle that have been raised for Grayson Natural Foods. There are still many challenges for cattle producers to step out and try to become meat marketers and purveyors, there are many opportunities for those willing identify a market, add value, and self market.