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Documenting the costs and benefits of whole animal local meat purchases by three northeast Iowa institutions

Abstract

Results from this project are aimed at facilitating the purchase of locally grown livestock by institutional buyers.

Keywords

Business management, distribution and marketing, Niche meat, dairy and poultry, Supply networks

Disciplines

Agribusiness | Agriculture



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Question & Answer

Q: How can farmers expand the marketing of their products?

A: We have documented that we have expanded local markets for locally grown agricultural products significantly by organizing around one metro area, by working with all players in the food system, and by articulating the multiple benefits of having farmers near us who grow the food we eat.

- Do these arrangements benefit farmers economically?
- Do farmers receive a better or worse price by selling direct to these institutions compared to selling in conventional markets?
- Do the business relationships farmers have with these buyers represent a long-term, sustainable market for these and other livestock producers?

Prior to doing this research, it was assumed that the practice of buying locally raised whole animals has at least some social benefit in terms of regional economic development. Discussions with food buyers suggested that they believe it is not economical to purchase and use whole animals for a variety of reasons (cost, storage space, labor, lack of ability to use so many cuts on a single menu).

In order to determine if these purchases of locally grown whole animals were feasible, the project investigator spoke with institutional buyers who are doing this successfully. Food buyers tended to assume that conventionally sourced meats are cheap, safe, and convenient to use. The aim of this project was to discover if locally sourced meat can compete with conventionally produced meat in some of these critical areas.

Approach and methods

Data was collected in 2004 through interviews with the owners/directors of three northeast Iowa institutions who are currently purchasing whole animals locally. In addition, interviews were conducted with two area meat locker managers, and three area farmers, all of whom are involved in supplying meat to these three institutions.

Background

The purpose of the project was to:

1. Document the purchasing practices of three northeast Iowa institutions that are currently producing whole animals, and
2. Share the findings with institutions, small processors and farmers, dietitians, purchasing managers, and others interested parties regionally and nationally.

Among the questions posed by the project were these:

- What are the cost and benefits for these food buyers to purchase whole animals raised and processed locally?
- Would these institutions reduce costs by buying meat that was conventionally sourced—confinement raised and processed on a much larger scale—in order to achieve better price benefits?

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Budget:
\$12,500 for year one

Price comparisons used represent an average price range for a similar product available through regional and national food distributors, including Martin Brothers, SYSCO, Hawkeye Foods, Reinhart Goods, and Harker's Meats.

Results and discussion

The case studies of each of the three buyers are summarized, along with other key considerations in purchasing locally raised and processed meats.

University of Northern Iowa (UNI), Cedar Falls. Since 1997 UNI has purchased meat and produce directly from local farmers, including whole cattle, hogs, and chicken. In 2004 UNI purchased a whole hog or beef locally every other month. For local (the animal came from a northeast Iowa farm and was processed at a northeast Iowa facility) vs. conventional beef, ground beef is comparatively cheaper when purchased through conventional sources while premium cuts such as ribeye, T-bone, strip, and sirloin steaks are significantly cheaper per pound when purchased locally. As for total cost of a whole animal, the amount was much the same for both local (\$1,113) and conventional (\$1,118) beef. However, there are other perceived advantages to locally produced meat—such as quality, social and enhanced safety benefits

In fall 2004, UNI purchased whole chickens locally from an Aplington farmer. These birds were raised free range and organically fed. The local chicken was higher per pound (\$1.34) than the Tyson's product (\$1.09) that UNI had normally used. However, the UNI purchasing manager found the local chicken had better meat quality and higher yield. And the farmer was satisfied with the price and his profit margin.

The per-pound price comparisons for specific cuts of pork were interesting. The local pork was \$193 (per whole hog) while the conventional pork cost was \$243. It is important to note that the local processing for hogs is done according to customer specifications, and cured/smoked meat and sausages are popular. Many small processors such as the one used by UNI, the Gilbertville Locker, will accommodate customer requests down to such details as spice mixtures and cures. The UNI purchasers said that (in their opinion) the Gilbertville product is of far better quality than the conventional pork; it is noticeably fresher, better tasting, and has a more appealing color.

Bartels Lutheran Retirement Community, Waverly. This long-term care and retirement facility made a variety of local food purchases from 17 local farmers in 2003. They have been buying whole beef processed at the Janesville Locker for two years and now purchase the cattle directly from area farmers for processing. This means a higher percentage of the meat purchase price (as much as 68 percent) goes to the local producer, compared to only 55 percent to a conventional beef producer.

The Janesville Locker also benefited from the Bartels account. Single customer, in-house slaughtered, whole carcasses yield a better profit than reselling conventional boxed beef. Purchasing meat through the local locker ensures that processing and shipping costs are retained locally.

For Bartels, the total cost for local beef (\$1,484) is lower than the cost for conventionally sourced beef (\$1,657). Currently, Bartels' beef is custom processed to their menu specifications and includes bulk ground beef, stew meat, tenderized minute steak, and a few roasts. Like UNI, Bartels could realize greater savings if they had the menu flexibility to raise meal prices when serving premium cuts. They do have a large freezer storage space to take advantage of the local offerings. By purchasing directly from a local farmer and processor, they are able to provide the best possible quality and stay within their available food budget.

Rudy's Tacos, Waterloo. This short order Mexican restaurant made food purchases from ten local farmers and vendors in 2003. Rudy's patronizes the Gilbertville Locker for ground beef and inside round roasts. The cattle are from three or four farms in the Bremer/Black Hawk county area. Unlike Bartels and UNI, Rudy's lacks the storage space and menu flexibility to get full value from a whole beef carcass, but they get fresh meat deliveries several times a week. Though the local beef is slightly higher in price for both ground beef and roasts, the relative price difference is modest (just over \$200 a month out of an estimated \$16,500 monthly food budget).

In 1998 Rudy's switched from ConAgra poultry products to locally raised organic chickens. They now purchase their poultry from Welsh's Organic Farms of Lansing, and the chickens are processed in Decorah. Rudy's pur-

chases 200 to 250 organic chickens per month from Welsh's and the poultry is stored in a local freezer facility.

Locally raised organic chicken are more expensive per pound, but the manager of Rudy's reports that the local chicken tastes better and more importantly, the local birds yield a great deal more meat than the conventionally sourced chicken. They also are available in larger sizes, which saves time, labor, and storage space, and means the costs are actually much closer.

Other considerations. There are key benefits to purchasing local meats beyond the price advantages. Among them are:

- Knowing the farmer who raised the animal. The food buyer can determine the production practices ranging from feed to antibiotic use to humane treatment.
- Knowing the meat processor. The food buyer can visit the meat lockers and learn about their style of operation, cleanliness and reputation. There are advantages to custom processing services offered by local lockers.
- Supporting local family farms and businesses. The food buyer can make a positive contribution to the local economy and enhance the community relationship.
- Ensuring food safety and accountability. When a food buyer gets ground beef from a local farmer, the meat has come from one cow raised by that producer. The sources of conventional ground beef are unknown, and it may have been mixed with the beef of as many as 4,000 cows. However, this project did not make any comparisons between local and conventionally grown products for the presence of *e. coli*.

Conclusions

Price. It is possible to buy locally raised and processed meat that is competitive with conventionally sourced products. In addition, the local meat was of premium quality.

Flexibility/choice. Once a business relationship exists among the buyer, grower and processor, purchasing meat locally offers the institution more choice and flexibility. Rudy's owner noted that the farmers and local lockers are more responsive than large conventional distributors.

Community concerns. All three institution managers in the study emphasized the community benefits of their actions. While price is a key factor, they felt it was a plus to be able to tell their customers that the meat being served came from local family farms and processors they trusted.

Impact of results

This study provided actual price comparisons for institutions that are buying locally raised and processed animals. These three case studies may be shared with other institutional buyers, administrators, restaurant owners, and economic development officials. While we have information on the practices of three institutions that have been buying locally raised meats for several years, we do not offer general guidelines for other institutions because there are so many individual differences. The initial commitment must be to form relationships with local farmers and processors and then business transactions evolve in ways that are unique to each place and institution.

Education and outreach

Information from this study will be shared statewide with professional and trade organizations involved, or potentially interested in, whole animal local meat purchases.

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