Marketing and value-added opportunities with alternative swine systems (Session 2C)

PRESENTERS: Rich Hall, Precision Beef Alliance, Lewis; Danny Tollefson, pork producer and marketer, Gaylord, Minn.
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Rich Hall, president of the four-year-old Precision Beef Alliance, said efforts actually began in 1991 when a group of beef producers met to discuss ways to improve their herds. Five producers wanted to create an opportunity for success in the cattle markets. They could see they would have to change, and they wanted to change toward success.

Precision Beef Alliance was formed in 1995 to help mid- to small-sized producers remain competitive. The goal was to enhance profitability of each operation. Precision Beef Alliance helps producers learn how to develop and retain value in high quality markets. This is done mainly by building an information feedback loop from the processor to the producer. Every animal has an individual identification number, and that stays with the animal to the carcass level.

The system relies on a good relationship with the packer. Iowa Beef Packer records carcass data on individual carcasses and reports it to each producer member. Hall estimates that this activity alone has put $1 million into the pockets of the member producers in the form of additional premiums.

When the Alliance was first set up, producer members did not request premiums from the processor. Instead, they asked to be given a chance to prove that they could deliver a superior carcass. Then they showed that the additional data collected for each carcass also could benefit the processor. Hall believes that information will be the biggest source of adding value in the future. Certain markets need more information, such as some Japan markets that want non-confinement and certain genetics. Hemoglobin made from cow blood can bring up to $120 per cow, but extensive records must be kept throughout production and processing. Hall reminded the audience that the best education they can get is from the consumer. It is important for farmers to tell their story, but they also need to listen carefully to the consumer.

Precision Beef Alliance now has more than 600 members in nine states. It is very costly to build producer supply networks. They take lots of time, energy and dollars, but Hall believes they are one way to maintain market access for small and medium producers.

Danny Tollefson is a pork producer from Minnesota who developed an outstanding lean pork product through his feeding program. He had some trouble working with his processor to get the finished
product, so when he had the opportunity to buy a USDA-inspected plant, he did.

Tollefson put together a producers cooperative that used his feeding program to achieve the lean product. Soon he was processing 50 hogs per week, selling his product in five Sam’s Club stores. The problem was that the business was losing money and as corners began to be cut to save money, his product became more of a commodity. That led to more problems, until he was losing $40,000 a week.

Packaged pork is a very competitive business and there are problems in moving the entire hog. Premium cuts are easy to sell, but there is more to market. Tollefson found that ham, loin and bacon are easiest to move, and that it’s best to make sausage from the rest. Eventually, he left his own company.

Tollefson now sells 16 hogs a week, and has developed a good niche for his product. He learned some lessons during his first venture that he shared with the audience.

- Customers have definite ideas about what they want. Tollefson discovered that people are very interested in humane treatment of animals when doing his own product demonstrations at Sam’s Club stores. It dispels the idea that the customer will eat whatever you put in front of them.

- Customers really like a quality product. This may be a difficult thing to do, but customers really like it. Tollefson said federal legislation that allows state-inspected processors to sell across state boundaries would help. Not many plants are federally inspected, and there are not enough inspectors.

- If you sell a high quality, consistent product, price is not an issue. Tollefson said he believes there is a place for small producers and family farms, but only if they can find ways to get to niche markets. He now sells to Wedge Food Co-op in Minneapolis, an organic food cooperative. His meat is simply labeled as “Tollefson Pork.” It helps that he processes 40 miles from the Twin Cities, a big market for his type of product.

He also uses farmers markets as “dump markets,” selling mostly sausage. He sells some cuts fresh, some frozen. He feels that frozen is really a better product, because it is really fresher. The frozen is packaged in Cryo-vac, so no air gets to it.

Tollefson spent about $20,000 for market research, and feels that his product has elevated pork to the next level. It is consistent, lean, with high polyunsaturates, and the flavor and color that consumers prefer. Currently, he is growing all of his own hogs, but feels that he could put together a network again fairly easily. For now, he prefers the lifestyle and freedom that comes with producing and marketing for a smaller niche. And he’s making money instead of losing it.