



## Natural Beef: Consumer Acceptability, Market Development & Economics

### Summary

This project provided insight into the viability of grass-fed beef marketing in California. Consumer surveys and focus groups indicated an interest in products that were not implanted with hormones or given antibiotics. Restaurant purveyors were interested in more links between production ranches and restaurant products, and were concerned about the leanness of ranch products and the ability of producers to deliver the consistent quality required for their businesses. A sample marketing plan was developed to provide strategies for potential product development for Northern California.

Four case studies were developed to provide insight into actual market development through past rancher activities. These case studies underscored the issues that need to be addressed prior to considering a marketing plan. A flow chart was developed to visually illustrate the different marketing outlets and the issues that arise trying to address them. Based on these actual experiences, a review document was developed to highlight the issues that need to be addressed with suggestions on how to approach them in a systematic fashion. A business plan model was developed to provide potential ranchers with a framework to use to think through the business side of producing grass-fed beef. A sample budget was included to help analyze individual operations. Because of the small economy of scale, transportation was the most sensitive item in the expenditures. The major consideration in grass-fed beef is location: the location of the nearest USDA-inspected processing plant, and the location of the target market. Thus, strategically locating the grass-fattening operations near a processing plant and the target market greatly reduces the operational costs. Ranchers also need to define their product's yield of retail cuts, and its quality in both tenderness and flavor under their existing management systems.

### Lessons Learned

The four ranches featured in the case studies paid a high price for their experience. We hope this publication will save duplication of these expensive learning curves. One operator spent \$12,000 on advertising to learn about marketing. Another found their operation needed \$2 million in product liability insurance to sell at a farmers' market. They also found that giving away free beef samples at farmers' markets is highly regulated by county environmental health offices. There is a complex interaction between initial start-up costs and economies of scale. Ranchers must balance concerns about the inability to achieve efficiency with small numbers of animals against the risks of experimenting with large numbers of animals.

As the beef market gets further concentrated, it is more difficult for individual ranchers to compete with large processors' economies of scale. Although consumers indicate they would be interested in paying more for grass-fed beef products, they still refer back to the relatively low-price retail market. There are many hurdles ranchers must address in developing a new marketing direction beyond the live product, including liability insurance, transportation, inventory management, labor laws, county environmental health requirements, packing, and advertising. Ranchers have been traditionally encouraged by the Extension Service to consolidate their calving schedules to improve their ranch efficiency. The grass-fed beef marketing stream could dramatically change schedules to year-round production, to address the year-round consumer demand. Locating grass-fattening operations near USDA-inspected processing plants could be the key to reducing costs and the increasing the potential for success; that coupled with the location of the targeted market will greatly impact the ability to produce a grass-fed product efficiently at an inexpensive cost.

Ranchers have learned through this project that they need to be more concerned about the actual eating quality of the product. The yellow fat that comes from green grass in forages resulted in one producer receiving 10 to 20 cents per pound less, because consumers are unaware that the yellow fat is Vitamin A or beta carotene storage. Most U.S. consumers have been conditioned to expect beef to have white fat that occurs with grain feeding. The additional time required to fatten grass-fed cattle may result in a tenderness problem. Consumer instructions on how to properly prepare lean beef may need to be an important component of the advertising campaign and the education of consumers. Ranchers need to test the impacts of their production systems on the quality of the product produced. This could be done through one of the three university facilities located in California (UC Davis, and California State University at Chico or Fresno).

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