



ALTERNATIVE MEAT MARKETING

LIVESTOCK TECHNICAL NOTE

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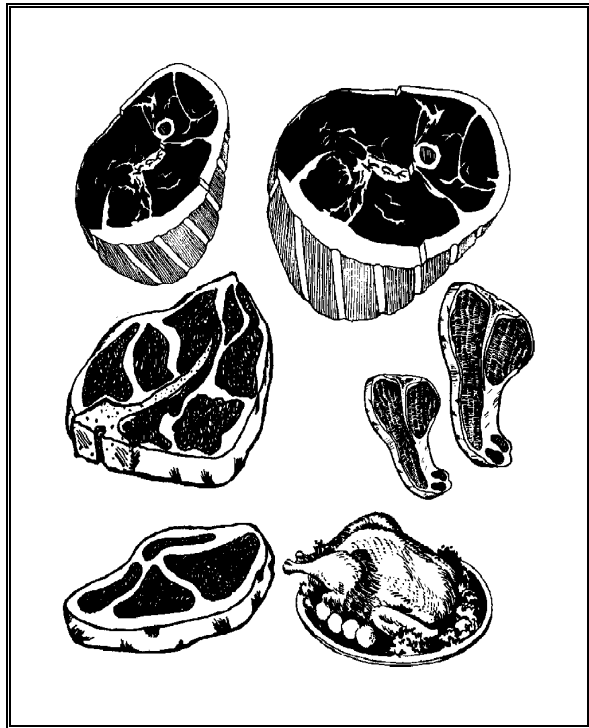
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ABSTRACT: *This publication offers general information on alternative meat marketing. Topics include pitfalls to be aware of, production and processing, different types of direct marketing options, legal and regulatory considerations, and information on differentiating products through organic certification, natural and environmentally sound production, and targeting ethnic and religious markets. Information on production and marketing of meat products from specific species is also available from ATTRA (see Related ATTRA Materials) and from other sources (see Resources).*

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May 2000**

INTRODUCTION

Marketing is an important and challenging task for all farmers and livestock producers. Livestock production is high-value production, and not only is the final product often perishable or semi-perishable, but there are relatively narrow windows during which slaughter stock are at their market peak. In this respect, livestock production



shares much with the fresh produce industry – the product has to be sold within a certain time, and the buyers know it.

Unlike the produce industry, however, much livestock production, especially that involving cattle, requires very long lead times that preclude rapid changes in plans. From the moment a producer decides to retain a heifer calf for breeding it will be roughly four years before her calf is on the consumer's plate. Such generally long lead times, coupled with the relatively perishable nature

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of many livestock products, underline the fundamental importance of developing an effective marketing plan for each livestock enterprise (1).

Faced with the increasing concentration of today's conventional market, in which livestock producers have less and less control over the prices they receive, producers need to take advantage of every opportunity for innovative marketing and adding of value. Alternative marketing can provide an opportunity to receive fairer prices for livestock or meat products than conventional channels offer.

Alternative meat marketing can be the backbone of the farm business, or a way to supplement income in times of low prices in conventional markets. Many farmers sell the majority of their livestock on the conventional market and direct-market a few head for extra cash. Others may not be livestock producers, but have some acreage that would be suitable for feeding out a few head for the local freezer market, for example.

Many small farmers find that diversification allows them to make maximum use of their land as well as to maximize their returns. For example, pasturing a few head of cattle and a herd of sheep or goats allows farmers to offer a mix of products while maximizing pasture resources. Small ruminants offer more efficient pasture utilization and conversion than cattle, and have different forage preferences. Swine and poultry may also play a role in the integrated farm. The shorter production cycle of poultry allows more continuous sales and more frequent income.

Offering poultry can serve to gain customers for the other meat enterprises. While few consumers are willing to commit to spending hundreds of dollars for a half side of beef, almost everyone can afford to try a whole chicken or a dozen eggs. Once they taste the difference, they'll be much more inclined to buy meat.

RELATED ATTRA MATERIALS:

- * Alternative Beef Marketing
- * Alternative Marketing of Pork
- * Bison Production and Marketing
- * Sustainable Chicken Production and Marketing

Ultimately, the success of any meat or egg producer depends on marketing. Producers who want to "cut out the middleman" must be prepared to wear many hats. While margins are

Questions to Ask Yourself

What market segments do you want to focus on? Why? What are the needs of each segment? What type of product(s) do you need to produce to meet the needs of each segment? Can you do this profitably?

For example, you may decide to focus on segments that care about health aspects of meat, because you think that there is a large potential customer base, because you want to produce in an environmentally friendly way while reducing production costs, and because you can sell at a premium. These segments may focus on low fat, non-medicated, and/or organic. Consider breed and methods of production: one segment might want more tender/fattier meat that is certified organic, another might prefer a grass-fed or very lean product. What types of cuts and sizes do these consumers want? Can you produce these while not losing money on less popular cuts? Do customers need education about aspects of your products, and if so, how can this be done? Where do consumers in these segments shop, and can you get your product to them? Or give them good reasons to come to you? For more information, request the ATTRA publications *Direct Marketing* and *Evaluating a Rural Enterprise*.

considered excessive by some, be aware that the middleman does earn a large share of the end price by performing a wide range of functions. Some of the functions you will be taking on include processing, packaging and labeling,

storage, transportation, and marketing. Marketing includes research, targeting markets, advertising, and going out and making the sale. This can be one of the most difficult aspects for producers to master. While it is relatively simple for a good producer to learn how to produce something different, marketing is an entirely different occupation. To succeed, you will need to learn the jargon of business and how to feel comfortable and confident when drumming up new business. You may want to contact your local university's college of business or small business development center for recommendations on good introductory materials to get you started.

PITFALLS

As you'll read below, there are many decisions the marketer has to make. With each decision there is the opportunity to make mistakes. Some of these mistakes are fairly easy to resolve, such as changing the type of products you offer to better suit customer preferences. Some, however, can be costly. You need to be aware of what you as a producer can realistically hope to accomplish by direct marketing meat, and decide first and foremost whether what you can accomplish will meet your needs. Very few producers can meet all their financial needs in the first several years of direct marketing meat. Even when the market is there, doing your own marketing can take an incredible toll on your time, sanity, and family and personal life.

Many small producers find that when they begin direct marketing meat, it practically sells itself. Word of mouth and some minimal promotion let them sell out quickly. Encouraged by the great response, producers see what appears to be the answer to their farm problems and begin expanding production and investing in facilities and equipment. What they don't realize is that after getting beyond a certain number of sales a year, they may "hit the wall" of demand. In other words, the market for these higher-priced

specialty products is shallow: there are a limited number of people who are willing and able to buy. This turning point will come at different sales levels depending on the size of your community and the number of customers inclined to buy your products. The "easy" customers have all been located and supplied to their satisfaction, and the freezers begin to fill up.

Selling more products then becomes a true challenge. This is the point where the real marketing begins, as you have to target, educate, and persuade consumers and food industry people to try to buy your meats. Making the transition from selling a few head a year to full-time commercial meat marketing is extremely difficult, and the odds of success are low. You will need to carefully evaluate your goals and resources to decide whether you want to take that next step. Many producers have tried and failed. Beginning to doubt their own abilities, they get discouraged. A hidden key to many of the success stories you have heard is that the producers had some source of capital beyond farm income and bank loans. Often this capital comes from previous, non-agricultural jobs, a well-paid spouse, or an inheritance. The point is that unless you are fortunate enough to be in this position, your best bet is to start small and be patient.

The Tallgrass Prairie Producers' Cooperative found how difficult marketing can be. Pete Ferrell, a cooperative member, says:

"The wholesale meat business is totally ruthless and cut throat. The minimum volume for a successful wholesale business is pretty high. We figure our breakeven is around 30 head a month. You are going to need a lot more capital than you think and you need to start out with experienced management. We made a lot of costly mistakes early on because we didn't know what we were doing...In retrospect, we should have hired a consultant who understood the natural meat trade. We have learned it the hard and expensive way — by doing it wrong first (2)."

Annie Wilson, another Tallgrass member, relates some of the co-op's experiences (3). She says that

members thought that direct marketing would require less capital and lower risk than conventional marketing, but found that it was still very risky. Consumers expect to pay less, since they are buying direct and usually in bulk. A large number of small sales mean much more time is required for order processing and delivery to generate the same amount of sales dollars. Given this, she questions whether it is truly possible to “beat the middleman.”

Profitability, Wilson says, means access to volume markets, cost-effective operations, and professional management. The latter is required to make the first two possible. There is a critical mass of supply needed to get into the volume markets and to run a cost-efficient operation. There is also the question of capital needs, and the need to gain enough expertise to develop a business plan and manage the business. Business planning and management was much harder and took more time than the coop had expected. At the minimum, says Wilson, gross margins and cash flow need to be evaluated monthly. Cash flow in particular makes or breaks the business. As is true in any enterprise, cash shortfalls at critical times can put even a very profitable business out of business. Wilson, like many producers, found that it was inefficient to take time from being an excellent producer to be even an average marketer. She thinks that “alternative” marketing shouldn’t always mean direct marketing. She encourages producers to consider “new generation” cooperative marketing through viable-scale, functionally integrated, professionally managed, producer-owned enterprises.

PRODUCING AND PROCESSING FOR QUALITY AND CONSISTENCY

Regardless of product or marketing outlet, developing a sales base depends on being able to deliver a consistent product. While there may be more tolerance for slight inconsistencies among consumers who have developed a relationship with the producer, consistency is cited over and over as a key factor in sales to restaurants, stores,

and other non-consumer direct outlets.

Consistent quality begins at the production level with selection of the right breeds of livestock for your markets.

For example, a grass-finished beef producer who is targeting health-conscious consumers and plans to market beef for the freezer will need to avoid large-frame cattle bred for the feedlot, as these breeds may not do well on pasture. Additionally, the smaller breeds of cattle offer smaller cuts of meat, which are more appealing to today’s smaller families with limited freezer space. On the other hand, a producer targeting the “gourmet” niches may need breeds that put on more fat for the tenderness and mouth-feel that this segment craves. In addition to breed selection, careful management is required to avoid variations in flavor caused by differences in forage, age at slaughter, and so on.

You may need to change your production methods to better accommodate marketing. For example, some farmers combine baby beef marketing with innovative herd management: cows are bred to calve in the late summer, and the calves weaned when they go out to pasture the following spring. The young stock are large enough to profit from good pasture, but are slaughtered before having to be carried over another winter. One disadvantage to marketing baby beef is that the price per pound may need to be somewhat higher to generate the same gross income per animal.

- **Processing**

Producing a quality animal is only the first step in producing quality meat products. The ability to offer a safe and attractively packaged product is a basic requirement for successful marketing. You would be well advised to learn as much as you can about slaughtering, cutting, aging, packaging, and so on. Learning about cuts, dressing percentages, and weights is crucial. This information is available from most university meat science textbooks or departments. While basic information is available from textbooks, it can be difficult to relate the diagram in the book to the actual carcass at the processing facility. If at

all possible, you should try to get some hands-on experience. Some universities offer workshops and short courses at their teaching facilities.

- **New Rules**

In July 1996, the USDA-Food Safety and Inspection Service (FSIS) announced implementation of new rules for improving the safety of meat and poultry. A major component of the final rule is the Pathogen Reduction/Hazard Analysis and Critical Control Points (HACCP) system, a science-based strategy for protecting public health. Many small processing plants are uncertain about their future due to the implementation of HACCP. Before making long-term marketing plans, you may want to check with potential processors to make sure that they will be able to continue operating under HACCP. For more information on USDA regulations for processing meat, milk, or egg products, call the USDA Technical Information Service in Omaha, Nebraska, at (402) 221-7400.

There are basically three levels of inspection: federal, state, and uninspected or custom-slaughter plants. Meat processed at a federally inspected plant may be sold in any state, while meat from state-inspected plants can usually only be sold in-state, and is subject to state regulations. Uninspected plants usually process for the owners' use, and meat processed in these plants must be stamped "Not For Sale". Your marketing decisions are likely to be based on your processing arrangements. For example, many stores and restaurants demand federally inspected meats. Liability insurers may also require federal inspection.

However, small producers are finding that industry consolidation hits home when they begin looking for a suitable processing facility. Federally inspected processing plants that are willing to keep your meat separate, or even to take on small numbers of animals, are increasingly difficult to find. Larger plants may not be equipped to do custom butchering for smaller producers. Those that are willing to custom process may not meet your standards of cleanliness and integrity. What are your options?

You may be able to pool your livestock with other producers' in order to meet the volume that some processors demand. Or, you may be able to use university meat science department facilities. If federal inspection is not possible, your marketing decisions will have to be based on using either a state-inspected facility or making arrangements with custom processors. The marketing options discussed below give some general guidance as to which markets require which types of processing.

A bill to allow state-inspected meats to be sold interstate and internationally was introduced by South Dakota Senator Thomas Daschle in late 1999 and referred to the Senate Agriculture Committee. There is some controversy regarding whether to wait to make this bill a law until HACCP regulations are fully implemented, or to pass the bill as soon as possible. Ohio Agriculture Department director Fred Dailey, who spearheaded the move to change regulations, says that this legislation will not only increase interstate marketing options but is also likely to increase in-state meat sales. Distributors and retailers will no longer have to segregate federal and state-inspected meat and poultry products in their warehouses and delivery trucks, for instance. Dailey also expects this action to improve competition by providing livestock producers with more markets for their animals (4). For current information on the status of this bill, check "Bill Summary and Status" for the 106th Congress for Bill "S. 1988" at: <http://thomas.loc.gov/home/thomas.html>.

If you would like to express your opinion about this bill, contact information for all Senate and House members by zip code is available at: <http://www.congress.org>.

When selecting a processor, look for facilities that offer the level of inspection you desire and that are clean. Bacterial build-up is immediately evident to the nose. The processor should be able to package with Cryovac™ plastic film (see Packaging, below). When you find a good processor, it will be essential to develop a strong and mutually beneficial relationship. Some questions to ask prospective processors include: In addition to their certification level, has the processor had any experience in working with

direct-market/alternative-market producers? Has this experience been successful? Is the processor willing to work with your special needs? Is the processor interested in establishing a long-term business relationship? Producers need to "think like the butcher thinks" and be able to talk their language. You should be there while the butcher cuts and pay attention to the process. Keep instructions as simple and straightforward as possible. Some producers pay higher prices during busy processing times to ensure that their livestock get priority.

Aging of beef is recommended for tenderness and taste (pork and lamb are not aged). Ideally, the beef should hang for at least two weeks, preferably three. Pay the processor a bit more if needed to ensure enough aging time. Producers should insist on quick-freezing the meat no matter what packaging method is used. Although home freezers are designed to maintain previously frozen products, they can lower the final quality of fresh meat because they are not designed to freeze large amounts of meat at one time. Disposing of offal can be a major challenge for the processor. Be prepared to pay more or negotiate some other concession if the processor will perform this service. Finally, remember that the processor benefits too (from use of your trim, for example), so being aware of this can help you negotiate a win-win outcome.

- **Packaging**

All packaging should be done with airtight, high quality freezer paper or Cryovac™. Be aware that customers, especially first-time buyers, may want to buy meat that is packaged like the meat they see in the store, advises Jerry Jost of the Kansas Rural Center (5). This means using Cryovac™ packaging for "everything except soup bones", offering smaller portion sizes, not confusing carcass weights, etc. Jost

also recommends giving bulk customers the option of paper or Cryovac™. Vacuum packing meat with a Cryovac™ machine is perhaps the best method of packaging meat. The vacuum-sealed meat is not exposed to air and does not suffer from freezer burn. However, this will add about ten cents a pound extra to costs.

Each package should be marked with the name of the cut and the date packaged. It may be possible to provide the slaughterhouse with a stamp containing the necessary farm information, in addition to the required "NOT FOR SALE" wording required by law when the product is not federally inspected.

- **Types of product to offer**

The complexity of balancing purchases of different cuts among multiple buyers is a challenge that most producers, especially beginning marketers, may not want to take on. Small-volume producers primarily market whole, half or quarter animals so they do not have to find alternative uses for slower-moving cuts. This is the easiest since there is little inventory to carry and no storage hassles or costs, as well as no losses from unsold fresh product. For smaller livestock, this may be the best option.

However, many beef farmers begin by marketing sides of beef, or even whole animals; in most cases they discover that sides simply involve too much meat for the average family. The consumer has to pay too much money up front, and the meat takes too long to consume. Not only does

YIELD INFORMATION

These are some very general guidelines to help estimate meat yields from the Sustainable Farming Association's Locally Produced Meat Fact Sheet Series (see "How to talk to customers" below for more information). Weights are in pounds.

	<u>Beef</u>	<u>Pork</u>	<u>Lamb</u>	
Live weight, whole animal		1000	250	95
Hanging weight (after slaughter)		682	175	40
Total meat yield after processing		550	165	33

So, a half beef will yield about 200 pounds of meat; a quarter about 100 pounds.

quality suffer after many months in the freezer, but the consumer is likely not to buy a side every year. Such start-and-stop marketing is often difficult to manage.

One common response to the problem has been to sell quarters rather than sides, but most preferred cuts are at the rear end of the animal, leaving the farmer to seek additional markets for shoulders and such. One response has been to sell "split halves" containing cuts from both front and hind quarters. Another response has been to slaughter short-keeps (700-850 lb. live) as "baby beef." Baby beef is not only tender without having a fatty finish to it, but there is simply less meat on a side, bringing the product more into line with current eating trends (1).

Other farmers have focused on the box market, providing a selected combination of cuts to particular market segments; such meat is often sold through catalogs and usually shipped via postal or courier service (with a block of dry ice to keep it frozen). Still others deliver boxes of beef directly to consumers in regional centers.

Pork, lamb, goat, bison, rabbit, and other specialty meats present even greater marketing challenges than beef and poultry. The meat being marketed is less popular, less well known and/or more expensive than beef and poultry. Most of these meats are sold in relationship, ethnic, or niche markets, and while the profits are often good, the markets are not particularly deep. A common characteristic of markets lacking depth is that there is little room for expansion, and even a modest amount of competition can erode profits severely.

Producers of specialty meats will need to be even more careful than beef and poultry producers in their work of planning and developing markets. Profitability can evaporate in a hurry if a producer goes to the extra effort and expense of bringing a specialty meat onto the market, particularly certified organic meat, only to find that there is no demand for the product at a price the producer can live with.

• Pricing

Your first step will be to figure out what prices you will need, for a projected sales level, to at least cover your costs (break-even) or to achieve your desired profit margin. Missouri producer David Schafer provided an example of gross margin analysis in *Marketing Grass-Fed Beef* (5), which is adapted here to show how to arrive at a reasonable price estimate. Example: Start with "Purchases", which is either the price you originally paid for the animal or the price that you would have received for it at a given point in time. Say that you paid \$1/pound for a 750-pound steer, or \$750. Your Cost of Sales for this animal would then also be \$750 (this ignores livestock inventories since we are only considering a single animal here). Gross Product is thus zero.

Sales = Gross Income

Purchases = Cost of Sales

Gross Product = Gross Income-Cost of Sales

Total Direct Costs =

Processing + Marketing + Feed + Freight + Other Costs

Gross Margin = Gross Product-Direct Costs

Percent Return = Gross Margin/Cost of Sales+Direct Costs

Next, figure direct costs. Say the steer dresses out at 500 pounds of usable meat. Schafer likes to add 25 cents a pound for marketing costs, or \$125. Assume that processing will cost \$100, that feed (or what you could have gotten for renting pasture over the animal's growth period) is \$50, freight is \$50, and interest is 10% of \$750 or \$75. Total direct costs are \$400.

Schafer shoots for at least a 30% return. So, $0.3 = \text{Gross Margin} / (\$750 + \$400)$ and the Gross Margin is \$345. Thus, Gross Product equals \$745 ($\$345 + \400) and Gross Income equals \$1495 ($\$745 + \750). Since inventory is ignored, Sales will also be \$1495. So, to make a 30% return on this animal, you would need to charge \$1495 for 500 pounds of meat, or an average of \$2.99 a pound. While rough, this analysis gives a base from which to calculate prices for simple or split halves, quarters, and individual cuts.

Now that you know the kind of price and sales ranges you need, you will need to evaluate your target market(s) to determine whether the market can meet your needs. For example, you may find that your profit goals could be met by a range from selling 100 pounds of steak for \$5/pound, or 10 pounds for \$50/pound. Market research is probably going to be necessary in order to determine whether you want to go after the \$5 or \$50 consumer, or both. You may be able to get assistance in setting prices and similar issues from Extension or the agricultural economics department at your local land-grant university.

HOW TO GET STARTED IN DIRECT MARKETING

The strength of *relationship marketing* lies in first selling yourself, then selling your product. Relationship marketing is a powerful and effective means not only to build on positive consumer perceptions; it is a wonderful opportunity to educate consumers about the joys and challenges of farming. As educated consumers tend to be loyal customers, the advantages of this type of extra marketing effort are apparent. Yet it is also clear that the overall market needs both relationship marketing and wider distribution systems. Farmers may choose one or the other, or both.

Direct involvement is not for everyone, on either the consumers' or the producers' end of the equation. For the producer, direct marketing means deferring to customers and being responsive to their needs. It is crucial that the producer evaluate his or her own attitude before going into direct marketing. It won't work for some people, and they should be aware of that and concentrate on developing alternative markets that allow higher profits, such as selling direct to store or institutional buyers.

Allan Nation, writing in the *Stockman Grass Farmer* (6) recommends that you produce first for yourself, then for family & friends. If they don't ask for more, you're not ready to market. You need to find out why they didn't like the meat. Then you'll have to figure out what you need to do to produce the product that people want. This

sounds slow but in reality is faster and costs much less than the more typical way of jumping in and trying to learn as you go. Many start-ups fail because people aren't emotionally prepared for how difficult a business start-up really is. It takes time, persistence, and some source of income to live on while the business gets established. Since the customer base is very small for new businesses, total customer satisfaction from the very beginning is crucial to survival. For more information on direct marketing, please request the ATTRA publication *Direct Marketing*.

• How can you find customers?

If you follow Nation's advice, your first customers will find you by word of mouth. Other ways to begin building a customer base include building relationships not only with consumers but also with private and government agencies, organizations, and businesses. Preparing attractive, interesting, informational materials about your family, your farm, and your products is a good place to start. Sampling is recommended over and over by producers as the best way to generate sales: "One taste is worth a thousand words." Your expertise as a sustainable farmer offers many opportunities for public education, and incidentally, opportunities for publicity.

A good way to begin getting your name out there is to write articles about topics that are interesting, newsworthy, and relate to your operation in some way. Newsletters, bulletins, and special-interest magazines are always in need of material. Newsletters from your farm or cooperative that link producers and consumers, both paper and on the Web, are another idea. Further possibilities include contests, which provide consumer names and addresses for targeted promotions, and partnering with state or county tourism associations. Media exposure generates mixed results. Some farmers have found that it greatly increases sales, others that it isn't very effective.

Successful direct marketers recommend giving presentations to community, church, and other groups about your operation and products. Offer to give talks that relate the issues of interest to

your operation. The local Sierra Club may be very interested in how your sustainable operation has preserved wildlife habitat, for instance, and members may want to support you. Schools and universities offer marketing opportunities, as well. Give talks to student classes and send the kids home with your brochures and a coupon or sample for their parents. Universities can be good places to begin identifying niche markets, since there are usually ethnic, religious, or special-interest (such as environmental concerns) student groups on campus.

Producers have found success from in-store cooking demonstrations with free samples. Demonstrations also offer the chance to bring in producers to connect with consumers so that producers can learn about what consumers want, and consumers can learn more about family farms and the rural life. Producers can invite consumer groups, foodservice buyers, and retail meat managers to tour their farms and processing facilities.

Exhibiting and selling products at local special events and giving tastings and demonstrations at farmers' markets helps many producers find customers. State fairs and other festivals require a lot of product that can be made available quickly to a large group of people who are in a hurry. Running a food booth also requires lots of advance preparation and possibly extra labor. Regulatory issues become more complex if you offer prepared foods such as burgers or sandwiches. However, it can be a great way to generate a lot of publicity and customers throughout the year.

Advertising in local newspapers and the like also produces mixed results. It is better to target your audience. For example, church newsletters and signs in appropriate stores such as health foods stores that are sympathetic to local producers can be good places to advertise. Since today most small farmers (and/or their spouses) have an off-farm job, the workplace offers marketing opportunities as well. Many producers have found their first customers to be co-workers.

Alternative marketing strategies require consumer education. Collect market research and apply for grants like SARE funds to do market research. Try working with universities to get student and professor help, and offering coupons or samples in return for completing surveys. Your enterprise could get free research and marketing assistance from the National Agricultural Marketing Association (NAMA). Interns can be found through the Association, and teachers and students are always looking for projects. For more information, contact:

NAMA
11020 King Street, Suite 205
Overland Park, KS 66210
(913) 491-6500
FAX: (913) 491-6502
agrimktg@nama.org
<http://www.nama.org>

• How to talk to potential customers

Some of the barriers to direct marketing include the perception that meat has to be bought in large quantities, the desire to see the meat and the farmers before purchasing, and questions about the safety of the meat. It's important that people know the kind and number of cuts they will get when they order a quarter or half of meat. For example, Snowball Beefmasters, of Snowball, Arkansas
<<http://www.northark.com/snowballbeefmasters>> lets consumers know that a split half of beef totals "about 2 and 1/2 brown paper grocery sacks". Producer Martha Mewbourne (7) says that on orders under a quarter, people don't realize that they only get 3 steaks. She adds that boning cuts gives consumers the same amount of meat, but it's a much smaller total poundage, so consumers may think they are getting ripped off. Many customers ask for separate cuts to be available, but these are more difficult to price and smaller producers usually don't have enough volume to sustain this kind of marketing.

An excellent, comprehensive source of consumer-education material is the "Locally Produced Meat" fact sheet series from the Sustainable

Farming Association (SFA) of Northeast Minnesota. These fact sheets cover nearly every question that the consumer may have about buying local beef, pork, and lamb, including how to find a producer, how to order and arrange slaughtering and processing, details on meat and cut yields, costs, transport, storage, and cooking tips. You may want to use these fact sheets to model your own materials. For more information, contact:

SFA
PO Box 307
Carlton, MN 55718-0307
(218) 727-1414
sfa@skypoint.com

Ohio State Extension's "Buying Beef for the Freezer"

<<http://www.ag.ohio-state.edu/~ohioline/hyg-fact/5000/5400.html>> is also helpful.

What Kind of Direct Marketing?

Many producers rely on a combination of markets. The most common outlets for direct marketing meat include the direct-to-consumer market; the restaurant and institutional foodservice market; and the retail market.

DIRECT-TO-CONSUMER MARKET

- **Freezer meat market**

The freezer market is accessible to almost all producers who can locate suitable processing facilities. The number of animals producers can sell and the price they can charge depend on the population and demographics of the nearby area. Producers located near large metropolitan areas have a greater potential to market large numbers of animals to individual consumers than those in more remote areas. The freezer market is also a good way for farm families to add some extra cash to their income either by diverting a few animals from the conventional market or by feeding out a few head on unused pastureland, as long as quality can be maintained.

Any type of processing facilities can be used to access this market, including custom processing plants that are not federally or state inspected. In this case, the live animal is sold prior to slaughter. Rather than selling by liveweight, which doesn't account for variation in dressed-out percentages between animals, some producers often sell the animal for a token fee, such as \$1/head and then charge for processing based on carcass weight. An interesting option is the "Pay as They Grow" approach (8), which makes purchases more affordable for families while giving producers monthly income and a guaranteed market price. Here the customer contracts directly with the producers to raise their animals. The producer guarantees that their animal will produce at least a certain total weight of processed and packaged meat, for a predetermined price. The customer gives the producer a down payment and makes payments every month until the agreed upon price is reached and they get their meat.

The easiest option is to have people come out to your farm for meat pickup. However, you'll need to be fairly close to a moderate-to-large sized town or city to have a large enough customer base to support that kind of marketing. In addition, you will need adequate storage capacity to accommodate the meat until pickup and possibly a backup power source in case of power failure. Customers must be educated about the hours you will be open, or to make appointments. They will need a place to park and clearly marked directions to the building. Especially during holiday seasons, you will need to have popular cuts available in good supply. You may be able to notify customers when fresh meat will be available.

- **Farmers' markets**

Selling at farmers' markets is another option. However, not all markets allow meat sales, and those that do will require strict attention to health and cleanliness regulations. Market managers may not be familiar with local law so you may have to educate them yourself (see end section on legal aspects), and sampling (one of the most effective marketing tools) may not be allowed. If

you are going to market through a local farmers' market, you may want to coordinate with your health department and make sure that they are in agreement with state laws and regulations that govern the sales of meat products.

Some markets require producers to furnish their own generator and freezer if selling fresh or frozen meat. Some allow cooking at the market and the sale of cooked items, while others only allow processed and preserved meats such as dry sausage and jerky. While market rules differ, there are some general rules that apply to almost all markets. Frozen meat must be kept below zero degrees Fahrenheit (a plug-in chest freezer will usually be adequate).

Producers have found some keys to success at farmers' markets. Items sold at farmers' markets need to be fairly low-priced and small enough for people to carry easily. Displays are crucial. The Polyfoam company (900-323-7442/<http://www.polyfoam.com>) offers some products that producers recommend (9), including Styrofoam display boxes designed especially for frozen foods. Again, Cryovac™ packaging greatly increases sales appeal. Some producers buy used chest freezers and resell them at the market to customers who want to buy meat, but don't have the freezer space.

This is a very time-consuming option, but can be a great way to get started. Once you build a customer base, it may be possible to take orders and make deliveries at the market, which limits the amount of time you need to spend there. Send regular customers an order sheet with price, quantity, and pick-up dates listed. Customers can also sign up at the market or place orders by telephone or e-mail for market pick-up. Some markets do require regular attendance, so check with market managers before you begin attending the market less frequently.

- **Catering**

Other possibilities include catering meals such as hog roasts and barbecues for special events. In addition to consumers, your clients could include institutions such as schools or community and

church groups and community festivals and events. Again, getting into food service introduces new legal aspects since preparing and serving food is subject to a different series of regulations. While catering has worked well for some, it is also extremely time consuming (10).

- **Internet and mail-order**

Internet and catalog and other mail-order marketing outlets may represent a useful supplement to other outlets, but appear to be of limited value at present. One of the barriers to this kind of "remote marketing" is that packaging and shipping costs can as much as double the end price to the consumer. Websites can be useful in helping local buyers to locate producers in their area. Meat producers who joined to create the Prairiefare site (<http://www.prairiefare.com>), for instance, found that a website had real value as "kind of a combination business card and bulletin board", but that few sales directly traceable to the website were generated. For more information on the Prairiefare project contact:

LeeAnn Van Der Pol
Sustainable Farming Association
4075 110th Avenue NE
Kerkhoven, MN 56252
(380) 847-3432
vanderpol@prairiefare.com

Some excellent market research has been conducted by the University of Maine Specialty Food and Drink on the Internet Project (<http://www.ume.maine.edu/~specfood/papers.html>). For more information, contact:

Dr. Greg White
5782 Winslow Hall
University of Maine
Orono, ME 04469-5782
(207) 581-3159
gwhite@maine.edu

RESTAURANT AND INSTITUTIONAL FOOD SERVICE

The restaurant market is one in which producers sell primal or subprimal cuts of meat directly to individual restaurants. Producers selling to this

Market Makers: Processors and Producer Partnerships

Mike and Rob Lorentz, of Lorentz Meats & Deli in Cannon Falls, MN, are custom meat processors and deli operators who realized that their small business depends on local family farmers for survival. So they are teaming up with producers for mutual benefit (11). The Lorentzes' experience in both processing and retailing through their deli have given them insight into what consumers want. Meanwhile, farmers in the area are looking to add value to their animals through marketing meat direct to consumers, but lack expertise. Thus Market Makers was born. The program requires farmers to pay a one-time fee of \$100 (refundable when the farmer processes with Lorentz). In return, they receive training on how to reach and keep customers, develop brochures, differentiate products, and cope with regulations. Program participants also get preferred treatment when scheduling processing.

The Lorentz brothers offer some advice to beginning marketers:

- State agriculture departments and processors can help guide you through red tape.
- You need to make a commitment to direct marketing and stick to it. Too many farmers drop their direct market customers when prices on the conventional market rise, only to find that these customers are gone forever when prices fall again.
- Don't let the going market price determine your prices! Your goals, costs, and types of product should set the price.
- Plan ahead and find out what breeds and cuts customers want. Try to sell as many animals before processing as you can. Don't wait until a few weeks before slaughter to begin marketing.

market must make arrangements for meat slaughter and cutting and the facilities must be inspected by the appropriate federal and/or state agencies. Care must be taken to prepare the meat according to the specifications of various restaurant chefs.

Individual producers often experience difficulty coordinating the complex management of production, processing, delivery, and sales system required to target the restaurant market. Since individual restaurants do not use large quantities of meat, access to a large number of restaurants and a mixture of different restaurant types is necessary for a producer to successfully target this market. Producers must be near a large metropolitan area with numerous restaurants in order to develop a direct marketing business based on restaurant sales. Access to a variety of restaurants will allow producers to market more of the animal, although the price received for the same cut will vary. Producers who sell directly to restaurants

usually establish a route and deliver directly to the restaurants once or twice a week year round.

Institutions, such as hospitals and nursing homes, school and university foodservice, and even prisons, offer more foodservice marketing options. Larry Jacobsen, Purchasing Manager of Allen Memorial Hospital in Waterloo, Iowa, explained how institutional buyers think and how to access these markets (12). Jacobsen found that costs didn't change overall from relying more heavily on locally produced foods, and that consumer reaction was extremely favorable.

When researching institutional markets, you'll need to find out what the vendor arrangements are. Jacobsen points out that most institutions (and many restaurants) have long-term contracts with food suppliers. These contracts offer many advantages for buyers: consistent pricing, fewer people to deal with, constant supply of consistent quality products, and the volume discounts

Northwood Farms Beefs Up Restaurant Menus

Jim Goodman of Northwood Farms in Wisconsin raises Holstein dairy cows and steers without chemicals, hormones, or pesticides. When a restaurateur he knows mentioned that she was taking beef off the menu because she didn't have enough information about where it came from or how it was produced, Goodman saw an opportunity. He has been selling his beef to fine restaurants in the Madison area for several years. Goodman says that he likes the relationship aspects of direct marketing—knowing his buyers and making personal contact with them.

Goodman offers the following tips for producers who are interested in tapping into the restaurant trade (13, 14):

- Establishing a market can take years, so be patient.
- Remember that owners, chefs, and other staff are busy. Find out when “slow” times are and plan to make sales calls then. You'll need to establish contact and ordering policies. Misunderstandings are inevitable; so make sure you resolve them quickly.
- Be aware that the restaurant business is subject to frequent changes of staff and even ownership, and that the failure rate is high. Supplying restaurants means continually seeking out new accounts, sometimes even at the same restaurant if they hire a new chef.
- Menus, and demand for your meat, change often too. In general, however, restaurants want only the best cuts. Not only does this make it difficult to move the other cuts fast enough to be able to supply restaurants, but you may not have enough steaks for your other customers.

available from dealing with only a few suppliers. However, the prevalence of such contracts doesn't mean that you can't sell to institutions. Buyers have many ways of getting the products they want and the volume to enforce that with suppliers. You do need to understand the differences between institutional purchasing patterns. Schools and universities usually have more layers of bureaucracy, and thus are more difficult to access. Another obstacle is the increasing tendency of institutions to contract-out their food services to non-local chain operations, including fast food shops that have no interest in fresh, local produce.

Institutions may only require state-level inspected meats. Generally, food safety is not an issue for buyers since the suppliers are liable, but vacuum-packed fresh meats would be better received. An important thing to realize is that most food purchases are frozen, pre-cut, and even precooked. Purchasing locally may increase food preparation time for institutions. Jacobsen says that it's important to involve management in going local in order to get all staff cooperating.

To access these markets, Jacobsen says, you need to dedicate yourself to institutions and be ready to offer consistent supplies of quality products. Don't try to unload lower-quality product or start and stop marketing, or you'll lose business fast. Consider the size of the institution and the preferences of customers at each institution.

Hospitals, for instance, have different needs than university foodservice. A factor beyond your control is the personality and the commitment of buyers—persevere until you find someone who is interested. Institutions are volume buyers where “one call sells it all.” For pricing, buyers say what they have been paying, and negotiations can go from there. Loyalty is important. Keep your prices consistent so that buyers benefit when national prices rise.

Your best bet to land restaurant and institutional accounts is to visit chefs and buyers with an attractive sample offering. Your packet of informational materials will be useful here. You may want to include table tents with information about your farm and products and other

restaurant-oriented material as well. If the chef or buyer is agreeable, preparing a sample of meat will show if different cooking methods are required and demonstrate the quality. Emphasize the added value of your products. For example, most grass-fed meats' low fat content means that cooked product yield is higher. Jacobsen says that buyer farm tours were very helpful in showing the quality and cleanliness of the production and processing facilities and removed lingering doubts about trying local products. Offer to take buyers on tours of your farm and the processing plant you use.

RETAIL: SUPERMARKETS, GROCERY STORES, NATURAL FOODS STORES

Retail food store buyers demand a consistent quality product, a year-round source of supply, and prices that are competitive with other sources of supply. Producers deciding to target retail food stores should also consider the quantity of meat needed and the marketing services that will need to be provided, such as prepackaging and delivery, and the cost of these services. Volume becomes critical when targeting an average supermarket. Small independent retailers with more upscale meat departments are probably your best opportunity. These kinds of stores want quality items that will make them stand out from the big chain stores.

Retailers may accept whole carcasses or demand precut, prepackaged meat, depending on whether or not they have a full-service meat department equipped to break whole carcasses. Fresh meat is what people want, says Annie Wilson (3), but it is beyond the reach of most producers to supply enough volume to offer fresh product unless the store will take whole carcasses. It is also difficult to have a constant supply of slaughter-ready stock, given the seasonal nature of most grazing-based production systems. Meat has a 10-14 day shelf life from the time of actual slaughter (not counting any aging time). As a result, locally grown and slaughtered meat will have a longer shelf life in the retailer's meat case than meat available from more traditional sources, which can be a great selling point if you are able to offer fresh meat.

Since retail food stores do not usually sign contracts with their suppliers, a sudden cancellation of orders can leave producers without a market. Another problem is that the price you need to make a profit may be, when coupled with retail markups, too high for most consumers. This is a major stumbling block for sustainable producers, whose production methods and especially small scale of production mean higher unit costs. Wilson's Tallgrass Prairie Co-op found that their Achilles' heel was processing costs (3). She points out that every penny of processing cost adds 2.7 cents to the retail price. Tallgrass was incurring costs of \$1 per pound to supply case-ready meat rather than the 30 to 50 cents possible with adequate volume to realize economies of scale. This meant that Tallgrass beef was out of range for all but a few rich consumers. Diana Endicott of the All Natural Beef Cooperative (15) also says that working independently means that it costs the co-op nearly double what it would cost to slaughter and process conventionally. Endicott targets only upscale supermarkets. Wilson favors targeting food buying clubs, which avoids too many margin markups and keeps prices affordable, while also avoiding some of the problems of marketing direct to individual consumers.

In addition to the cost and the perishability of fresh meats, consumer education can be a barrier to stocking local meat. Natural foods stores, in particular, find that "[f]or many of the hard-core faithful, 'meat' is a four-letter word (16)." Only 6% of natural products stores carried meats and only 4% carried organic meats in 1997 (17). Emerging health issues include irradiation and recalls of meat contaminated with bacteria, which can spur meat sales in natural foods stores. Producers need to look at it from the storeowners' point of view and work with storeowners to make it fly, share some of the burden of educating, etc. To place your product requires lots of visits, lots of free samples, and probably working with store managers/owners to develop campaigns based on promoting the local production aspects. Be aware that retail meat managers and counter employees can be crucial to the success or failure of products; bring samples and actively solicit their opinions and suggestions. Let them know that you will work with them.

COOPERATIVES

Individual producers often experience difficulties in profitably achieving either the level of marketing services or the volume necessary to service the retail outlet. Therefore, a producer cooperative where several producers pool their animals and share fixed costs is often more appropriate when targeting the retail store market. Marketing through a cooperative can shift many of the time-consuming marketing activities away from the producer. The cooperative can engage in bargaining, transportation, grading, processing, distribution, and research and development for its members. A related option is the marketing club, a more informal farmers' group.

Cooperatives allow producers to get into the value-added sector of the marketplace while pooling knowledge, risks, and profits. Since the meat market is very competitive and it can be difficult to get shelf space in supermarkets, it can be impossible for smaller producers to compete with the high-volume large producers. Smaller producers will find more opportunity in developing local markets through cooperative marketing, which can ensure the quality and consistency that are vital to retail sales. Organizing farmers in a formal cooperative can be very challenging; however, a great deal of information and assistance for people interested in forming new cooperatives is available from the Cooperative Services (CS) branch of the USDA.

All Natural Beef Cooperative Accesses Retail Markets

When Diana and Gary Endicott offered their drug- and hormone-free beef to meat managers at a local grocery, they found that demand for the meat exceeded what they could supply. So the Endicotts began locating other producers for what would grow into the All Natural Beef Cooperative.

Over five years or so, the co-op has established a profitable niche in a regional supermarket chain. Diana Endicott, who heads the co-op's marketing efforts, uses all the methods described above to attract and keep customers.

Endicott says that "a cooperative is like a family. You put together a diverse group of people and you have to respect each other's knowledge and opinions...Getting people together who have different skills and attributes really helps the business" (18). Some of Endicott's advice to producers interested in cooperatively accessing retail markets (15, 19):

- Building lasting relationships is vital for success. Loyal customers only make up about 30% of customers, but account for 90% of profits.
- Know what the retailer wants: a product that is unique, that the retailer's competition doesn't have, and product that will bring customers to the retailer's store. Your product should not replace products that the retailer already carries, but rather bring in *new* customers.
- Getting your product into the meat department means that you contact meat managers at the right time (when the store is looking for something new or different); that you are targeting the right place (upscale stores for a higher-priced product, for example); and that you are giving the right message—that you understand and believe in your product.
- Don't take rejection personally, but do your best to find out why the retailer doesn't want to carry your product. You may not yet be producing at the level of quality desired or the retailer may not be convinced that you can supply that quality consistently. Even an outstanding product can be hard to place, however. Remember that grocery department managers vary in their ability to make independent decisions. While an individual manager may want to stock your meat, he or she may be constrained by store buying policies, long-term contracts with conventional suppliers, and so on, especially in larger chain stores.

CS staff include cooperative development specialists who do everything from helping with initial feasibility studies through the development of bylaws and business plans, as well as training for cooperative directors. CS also provides technical assistance to existing cooperatives facing specific problems or challenges. Contact:

USDA Rural Development/ Cooperative Services
Stop 3250
Washington, D.C. 20250-3250
(202) 720-7558
FAX: (202)720-4641
E-mail: coopinfo@rurdev.usda.gov
<http://www.rurdev.usda.gov/rbs/coops/cswhat.htm>

VALUE ADDED PRODUCTS

Ground meat will probably make up an important part of the operation. It is often necessary to sell a large proportion of the carcass as ground meat, which moves faster than cuts, in order to avoid inventory buildup. As marketers say, you need to sell it before you can smell it. Since ground meat is cheaper, you will need to evaluate your product mix to balance out lower returns with higher returns from the more popular cuts. Cull animals can be used exclusively for ground meat, which gives a superior product with more profit due to the low market prices for culls.

Cuts that are hard to move offer added value and sales when packaged as cubes for stews, stir fries, or kabobs. Ask the butcher to make square packages of ground and cubed meat, which pack and fit onto store shelves better. It may be possible to market bones to chefs, who appreciate the quality and high yield for soup stock, or to consumers who are interested in more gourmet cooking. You could include bones with soup stock instructions and recipes in your stew meat packages as a “freebie” to encourage sales.

Organ meats can be marketed to ethnic customers, in particular. Many ethnic dishes rely on organ meats and these can be difficult to find in mainstream stores. When researching the ethnic

markets that may be available to you, don't forget to find out whether there is demand for organ meats as well.

Producers are finding that further processed products can be quite profitable. Many small business and rural development centers and other organizations offer assistance in beginning food processing (for more information request the ATTRA publication *Adding Value to Farm Products: An Overview*). Some of the many options include sausage, hot dogs, and jerky. Be aware that meat products such as sausage that contain ingredients other than meat are subject to different laws (see following section for more information).

There is a growing demand for healthier, more natural pet foods. You may be able to market organ meats, ground meats, bones, and other low-end cuts as pet food. Even items such as pig's ears and hides can be made into dog chews. Getting into pet food manufacturing is too complicated a subject to cover in depth here. For more information, the Nebraska Food Processing Center (see **Resources**) can be very helpful. Other sources of information include food science departments at many universities. You may even be able to market composted offal. Compost marketing involves selling high volumes at low unit cost, which may be difficult for small producers to supply. Transportation costs will be considerable, as compost is a bulky, heavy product. Other ways to add value could include trading nutrient-rich compost to crop producers for products or services that you need, or offering compost as “thank-you” gifts to valued customers who enjoy gardening.

FOOD SAFETY AND LABELING REGULATIONS

• Regulatory Considerations

Before starting any marketing, consult local, county and state authorities on regulations governing the marketing of food products. Some rules that may apply include USDA inspection, health permits, licenses, sales taxes, weight and measurement requirements, sanitary requirements, zoning, and right-of-way regulations. Another important consideration is

waste disposal if you are slaughtering and processing the animals on-farm (see **Resources** for information on state environmental regulations).

Regulations vary depending on the type of product that you want to market. For example, selling frozen meat products directly to the public requires that the animals be butchered at a USDA-inspected facility; the meat must be weighed, wrapped and labeled in secure federally approved packages; and the meat must be kept hard-frozen at all times. In addition, regulations vary depending on where you wish to sell. Any interstate sales are subject to meeting USDA regulations. Sales within the state are regulated by state law. The county and regional industrial development authorities are a great and under-used resource that can help with these issues.

- **Product Liability**

With the increase in concern over food safety, the producer always has a small amount of product liability risk to deal with. Processing livestock increases this risk. The closer you get to the consumer in direct marketing, the higher the liability risk. For example, a ranch was asked to provide proof of \$2 million dollars of product liability insurance to be able to sell at a farmers' market (20). It is important to discuss this business consideration with your insurance carrier to see if farm liability insurance coverage is sufficient or if additional coverage is required.

The North American Farmer Direct Marketing Association (NAFDMA) offers its members liability and loss insurance specifically designed for direct-market farmers. Contact:

North American Farmers' Direct
Marketing Association (NAFDMA)
62 White Loaf Road
Southampton, MA 01073
(413) 529-0386 or (888) 884-9270
<http://www.nafdma.com>

- **Label Laws**

There are specific laws regarding product labels that will require state and federal review prior to their use in advertising. Expediter services are

available. However, if you are going to be marketing single meat products (such as steaks or roasts) rather than products such as sausage that include other ingredients, it can be fairly easy to go through the labeling process yourself since a federal inspector at the plant can approve the label.

The Food Safety Inspection Service (FSIS) is the agency in USDA that has the responsibility for assuring that the labeling of meat and poultry products is truthful and not misleading. To label a product as being unique or superior by using words such as "natural" or organic, a producer must first contact the Labeling Review Branch of the USDA to make an "Animal Production Claim" for labeling the product. The producer then has to submit a label application, a sample label with the feature wishing to be claimed, and usually an Operational Protocol (OP). The OP describes how the product is produced and determines whether a producer can make the desired claim. Since each OP is based on the individual producer and the claim wishing to be made, the Labeling Review Branch (LRB) stresses the need for producers to contact their office for more information.

The Nutrition and Labeling Act (NLEA) of 1990 requires nutrition labeling for most foods and authorizes use of nutrient and FDA-approved health claims. While meat and poultry are exempted, if they are processed in such a way that they contain ingredients other than the meat, they become subject to meeting NLEA requirements. However, small businesses are exempted from these requirements. A "small" business is defined as having under 100 full-time-equivalent employees producing fewer than 100,000 units of any one product that will only be distributed in the U.S. Producers wishing to claim the small business exemption will have to notify the FDA that they meet the criteria unless they employ under 10 people and produce under 10,000 units a year. You may still need to include this information as a marketing tool or if your retailers request it, but be aware that if you do, you will lose your exemption. More information on the small business exemption can be found at <http://vm.cfsan.fda.gov/~dms/sbel.html>.

If you want to include the “lean” claim on the label, or make claims regarding your meat as a source of CAL or other nutrients, you will need to have it analyzed by a lab in order to back up your claim. Testing costs approximately \$30 for fat, \$135 for saturated fat, and \$112 for cholesterol (5). Some laboratories experienced in analyzing foods for NLEA compliance include:

Warren Analytic Laboratory
650 “O” Street
Greeley, CO 80632-0350
(800) 945-6669
<http://www.warrenlab.com>

TPC Labs
Pillsbury Technology Center East
737 Pelham Boulevard
St. Paul, MN 55114
(800) 400-2390
<http://www.tpclabs.com>

Because the USDA has not yet defined the term “organic”, it may not be used by itself as a claim on the labeling of meat and poultry products. The FSIS will permit the use on the label of a meat or poultry product of a statement that the product has been “certified organic by (a certifying organization).” The certifying organization must have standards for what constitutes an agricultural product that is “organically” produced, and a system for ensuring that products it certifies meets those standards. Again, since each label claim is reviewed individually, the producer needs to contact FSIS him or herself. Contact:

Anita Manka
USDA FSIS
Labeling and Compounds Division,
Labeling Review Branch
Washington, DC 20250-3799
(202) 205-0623
FAX: (202) 205-0145
<http://www.fsis.usda.gov>

While not required, code dating that identifies when a product was made can be very helpful. Remember that storage of the finished product is also regulated. Check with your local health inspector for information regarding storage.

Your label needs to be carefully chosen and designed to communicate the image you wish to

convey. A basic check-off label saves costs on label printing and design. These labels list all cuts of meat and the butcher checks the appropriate box. In addition to meeting legal requirements, the producer may want to consider getting a trademark to identify and distinguish their products in the market place. The trademark prevents others from copying the look or name of your product. There are state and federal trademark registrations. While it can take several months to a year and cost several hundred dollars, it may be worth it to ensure consumer recognition in today’s brand-conscious market environment.

Even if you choose not to register you may want to add the TM symbol to provide some protection. Despite popular belief, trademarks do not have to be registered for rights to be acquired. Anyone who claims rights in a mark may use the TM (trademark) designation which alerts the public to the claim. But bear in mind that the first person to register or file an intent to register the trademark legally owns it. Also, there is a difference between trademarks and trade names. Trade names, or the names under which you do business, usually do need to be registered with the state. A good source of information on this often confusing issue is the Small Business Administration (<http://www.sba.gov> or call 1-800-827-5722 or email answerdesk@sba.gov).

For comprehensive information on the legal issues surrounding marketing of meat, poultry, eggs and dairy products, including a state-by-state list of contacts, consult “The Legal Guide for Direct Farm Marketing” by Dr. Neil Hamilton (1999. 240 p. \$20.00 +\$2 s&h.) Order from:

Drake University Law School
Agricultural Law Center
2597 University Avenue
Des Moines, IA 50311-4505
(515) 271-2947

DIFFERENTIATING YOUR PRODUCTS

- **Organic**

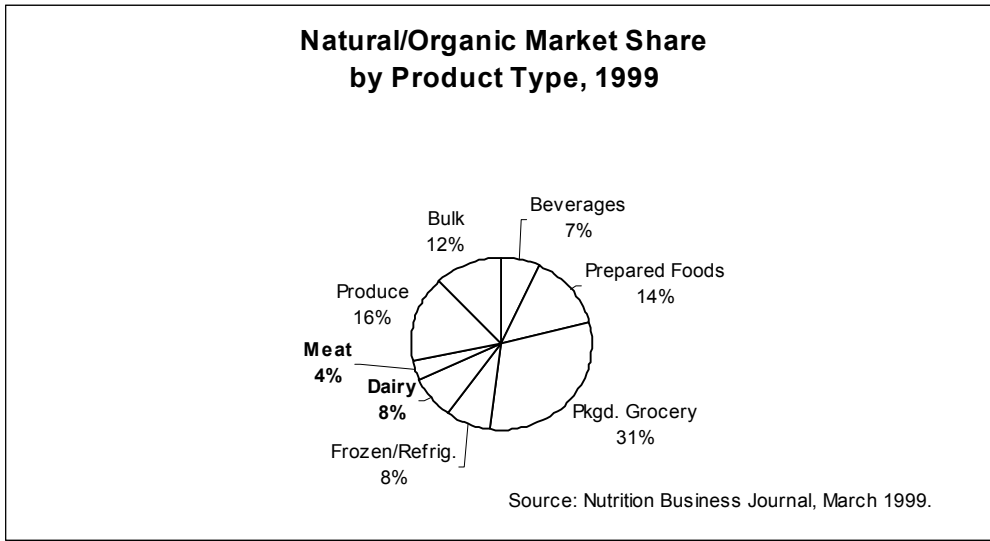
Organic certification, and the ability to identify organic products as “certified organic” in the marketplace, have been useful marketing tools for

over a decade. With producers now able to include the word "organic" on labels for meat products, the organic market represents a real

Some producers feel that marketing of "natural" meat has hurt sales of truly organically produced meats. Producers have to explain over and over

what the difference between "free-range," "natural," and certified organic is. Most successful producers provide educational materials to the stores that carry their products and usually do demonstration and other promotional activities as well (23).

When you contact a certifying organization, ask for their livestock standards and list of approved materials.



opportunity to add value to meat products. Many consumers who have stopped consuming meat because they didn't know where the meat came from or how it was produced are, with increased availability of organic meats, now adding meat back into their diets. Most producers indicate greater interest in their products from buyers, now that they can include "organic" on their labels. While most of these buyers are willing to pay more for organic products, price is more of a factor than with the gourmet niche. In addition to individual customers purchasing organic meat directly from the producer, organically produced meat can be marketed through health food retail stores and natural foods restaurants. Profit margins on meat run about 30% (21). However, organic producers must still contend with an immature and developing market that makes thorough planning all the more important.

Total sales of fresh meat (including seafood) were \$238 million in 1998 in natural products stores, accounting for only 2% of total sales. Organics at \$25 million represented 10% of the meat category. (In contrast, organic produce accounted for 66% of all produce sold (22)). While this does not take into account sales in mainstream stores or the large volume of direct-marketed meat, clearly, there is a lot of room to grow for natural and organic meats.

While standards for raising organic meat are relatively simple, the audit trail that most organic merchandisers require from their suppliers involves a lot of time-consuming paperwork, say farmers. For more information on organic certification, please contact ATTRA.

One of the first to begin marketing organically produced animal products, CROPP/Organic Valley has spearheaded the move to allow using "organic" on labels. Organic Valley spokespeople predict healthy growth in organic meat demand with sales in 2000 expected to nearly double from 1998's \$28 million (24). CROPP welcomes inquiries from interested farmers who are or can be certified organic, able to produce to CROPP specifications, and willing to become a CROPP member, including making an investment in the co-op. General information on CROPP is available from their web page (<http://www.organicvalley.com>) or by calling (608) 625-2602.

The *Upper Midwest Organic Livestock Producers' Directory* is intended for producers in Iowa, Minnesota, North and South Dakota and Wisconsin. The directory contains contact info for veterinarians, buyers, distributors, processing facilities, resources and resource organizations including producer cooperatives. Send \$5.00

(check payable to Cooperative Development Services) to:

Cooperative Development Services
30 West Mifflin St. Suite 401
Madison, WI 53703
608-258-4396
FAX: 608-258-4394
E-mail: darcylk@inxpress.net

More general information on buyers, industry associations, and so on is available in the ATTRA publication *Resources for Organic Marketing*.

- **“Natural”**

Consumers remain unclear about the difference between “natural” products and “organic” products, a situation made worse by the USDA’s very broad definition of “natural.” Under current USDA policy, meat can carry the “natural” label if it contains no artificial ingredients (color, flavor, preservatives, etc.) and is minimally processed. Production methods are not considered by the USDA in granting permission to carry the “natural” label, meaning that nearly all cuts of meat can be called “natural.” In popular use, however, consumers often interpret (incorrectly) the term “natural” as meaning that the animals have been raised without growth hormones, routine antibiotic treatments, or feed additives. As consumers become more sophisticated, they are becoming more aware that a “natural” product may not offer the attributes they seek and more likely to read labels carefully. It can pay for a producer to include those special claims on the label.

Natural meats marketers are often seeking producers to fill growing demand. These marketers can be located using directories such as *Natural Food Merchandiser’s Retailer Purchasing Guide* (see **Resources**).

- **Grass-fed/Pastured**

Consumers are uncertain about market terminology such as “grass-fed” (commonly translated in their mind as “tough”). To capitalize on marketing opportunities from grazing-based

production, consumer education is needed. Consumers need to understand why grazing-based production is beneficial for the animals and for the environment. More importantly from a marketing standpoint, there is some evidence that meat and milk from grass-fed livestock is also beneficial to human health.

Conjugated linoleic acid, or CLA for short, is a modified form of the essential fatty acid linoleic acid (otherwise known as the omega-6 fatty acids) found in high concentrations in pastured livestock. Studies have suggested that CLA enhances immune function, acts as an antioxidant, and even lowers the risk of cancer. It may also play a valuable role in changing body composition by helping to decrease fat, while maintaining or gaining muscle (25). The combination of lower overall fat and possible health benefits from existing fat represents a potentially powerful marketing tool for the grass farmer. References on CLA are available at <http://www.wisc.edu/fri/clarefs.htm>. Additionally, the publication *Why Grassfed is Best!* provides exhaustive information on the benefits of grass-fed livestock products (see **Resources**).

Difficulties with grass-fed production in general include seasonal production, but year-round consumer demand. The additional time required to fatten grass-fed cattle may result in a tenderness problem. The yellow fat that can result from green grass in forages may result in lower prices received, because consumers are unaware that the yellow fat is beta-carotene storage. For more information on the grass-fed market, consult the ATTRA publication *Alternative Beef Marketing*.

- **Other Niches**

“Humanely raised” is another term with a very wide range of interpretations. Generally, organic certification will require that the animals are raised and processed humanely. Producers not wishing to become certified but who feel that promoting their good treatment of livestock will help sales should detail their production practices

for consumer and retailer educational materials. Providing, on consumer request, affidavits from reliable sources that can attest to the practices used is a good idea.

While at present this does not appear to be a viable niche in itself, it is certainly an important attribute in the natural meats market. A 1998 national consumer opinion survey conducted by the Animal Industry Foundation found that 44% of respondents were willing to try meat products labeled “humanely raised” if the cost were only 5% more than for conventional meats. A 10% price increase lowered the number who would buy to 20%, while at a 20% price increase only 6% of respondents were willing to buy (26). There are many organizations involved in promoting consumption of humanely raised livestock products. Perhaps the most influential is the Humane Society of the United States (see Resources).

Some livestock producers are successfully marketing based on their management of predators. Rather than killing predators such as wolves and coyotes, these producers use other methods to control predation. This appeals to the segment of the population that is concerned about preserving wildlife. The “Wolf Country Beef” label developed by Jim Winder and Will Holder, ranchers who have teamed up with the nonprofit Defenders of Wildlife, is an example. They're developing the seal-of-approval so that beef coming from ranchers who avoid killing predators will stand out in stores. Wolves can be an economic asset to the region, says Holder, who hopes the Wolf Country Beef program demonstrates that ranchers can live with wolves and still make money (27).

• Ethnic And Religious Markets

Ethnic markets often offer opportunities for marketing livestock products that are not well accepted by mainstream America. Many cultures actually prefer meat from mature animals, such as the Muslim preference for mutton, which would be considered tough or stringy by others, and many ethnic cuisines use innards, feet, heads and other parts that would otherwise be thrown away. Products such as goat and mutton are not part of

the usual American diet. But goat, for example, is well liked by Hispanics, Caribbeans, and Muslims, to name just a few. When marketing meat from the same animal to different market outlets, the biggest challenge for the direct marketer is to balance the demands of the various outlets with the supply of the different cuts. Producers can use the special preferences of ethnic markets to balance out supply and demand problems. Jewish religious laws, for example, mean that this market prefers the front-end cuts that are difficult to market to mainstream America.

There are ethnic and religious niche markets available for nearly every type of livestock. Producers should develop a marketing plan consistent with the preferences of the ethnic groups in their areas. Even more “mainstream” meats like pork can be better marketed by targeting specific ethnic groups such as Hispanics or Chinese. Most mutton and a large proportion of goat is bought by those of the Muslim or Jewish religions. Meat slaughtered in compliance with the Islamic dietary laws is termed “halal” and that slaughtered in compliance with the Jewish dietary laws is termed “kosher.”

Providing facilities for the on-farm ritual slaughter is often necessary to serve the ethnic/religious market. Some producers have provided only a water hose, rope, and tree with a crossbar, while others have provided a room with a sink, chopping block, and hanging hooks. The requirements for Islamic halal meat are less stringent than those for Jewish kosher meat, which can be difficult to provide on a small scale. More information on ethnic and religious niches can be found in the excellent publication *Marketing Out of the Mainstream* (see Resources).

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RESOURCES

• *General*

Stockman Grass Farmer offers practical information on producing and marketing. An excellent resource for any sustainable livestock producer. \$28/year from:

SGF
PO Box 2300
Ridgeland, MS 39158-2300
800-748-9808
FAX: 601-853-8087

• *Small Ruminants*

Marketing Out of the Mainstream is available at <http://www.sheepusa.org> (under "The Marketplace"). While specifically covering lamb and wool, the publication offers valuable information for any meat marketer.

An outstanding source of marketing information for meat goats is the E. (Kika) de la Garza Institute for Goat Research. They offer a comprehensive series of fact sheets covering meat goat marketing and information on consumer demand for goat meat. These are available on the Internet at <http://www.luresext.edu/goatext.html>, or by contacting:

Langston University
P.O. Box 730
Langston, OK 73050
(405) 466-3836
FAX: (405) 466-3138

• *Processing*

American Meat Science Association
1111 North Dunlap Avenue
Savoy, Illinois 61874
(217) 356-3182
FAX: (217) 398-4119
<http://www.meatscience.org>

Arlis Burney
Food Processing Center, University of Nebraska
143 Filley Hall
Lincoln, NE 68583-0928
(402) 472-8930
E-mail: aburney1@unl.edu
<http://foodsci.unl.edu/fpc/market/ent.htm>

AURI's meat laboratory and pilot plant in Marshall, MN, offers small meat processors the opportunity to test out ideas for value-added processed products for both humans and pets. In addition to assistance with product development, AURI offers HACCP training and periodically gives workshops. Only available to Minnesota residents. For more information, call Darrell Bartholemew at (507) 537-7440 or visit <http://www.auri.org>.

Texas A&M offers meat science information and training seminars such as "Beef 101" and "Sausage School" to producers. Contact:

Ray Riley
Rosenthal Meat Science and Technology Center
Department of Animal Science
Texas A&M University
(409) 845-5651
FAX: (409) 847-8615
E-mail: ray-riley@ansc.tamu.edu
<http://meat.tamu.edu/>

Note: Sausage mix that does not contain MSG can be purchased from the KOCH company (800-456-5624) for use in processing.

• *Legal Issues*

The National Center for Agricultural Law Research and Information (NCALRI) at the University of Arkansas offers links to state and federal environmental laws that affect agriculture at their Web site: <http://law.uark.edu/arklaw/aglaw/envlinks.htm>. NCALRI staff attorneys can address specific legal questions, within the areas of their expertise, from farmers, attorneys, agri-businesses, agricultural organizations, and federal and state governmental entities. For more information contact:

NCALRI
147 Waterman Hall
University of Arkansas
Fayetteville, AR 72701
(501) 575-7646
FAX: (505) 575-5830
E-mail: swillia@comp.uark.edu

- *Niches*

Why Grassfed is Best! by Jo Robinson, offers 107 pages of information and resources on health and environmental benefits of eating grass-fed livestock products. It is available for \$7.50 plus \$2.50 s&h (single copy rates) from:

Columbia Media
2401 N. Cedar
Tacoma, WA 98406
(206) 463-4156
FAX: (206) 463-4666

Make checks payable to Columbia Media.

For more information on the *Retailer Purchasing Guide* contact:

Natural Foods Merchandiser
New Hope Natural Media
Circulation Department
1301 Spruce Street
Boulder, CO 80302
(303) 939-8440
FAX: (303) 473-0519

For more information on the "Good for You: Choosing a Humane Diet" campaign and the Eating with Conscience Programs, contact:

The Humane Society of the United States
Farm Animals and Sustainable Agriculture
2100 L Street, NW
Washington, DC 20037
(202) 452-1100
FAX: (301) 258-3081
E-mail: ewcp@hsus.org
<http://www.hsus.org>

For more information on the Wolf Country Beef program, contact the Defenders of Wildlife Southwest office at (520) 578-9334 or:

Jim Winder
Lake Valley Ranch
HC 66, Box 38
Deming, NM
(505) 267-4227

Other producers marketing predator-friendly meats include Ervin Ranch. For more information:

(520) 428-0033
E-mail info@ervins.com
<http://www.ervins.com/wildlf.htm>

The electronic version of *Alternative Meat Marketing* is located at:
<http://www.attra.org/attra-pub/altmeat.html>

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