



University of Kentucky
College of Agriculture,
Food and Environment
Cooperative Extension Service

Presented By: Kenny Burdine
Extension Livestock Economist
UK Agricultural Economics

Considerations for Direct Marketing Beef: Kenny Burdine and Greg Halich

FREEZER BEEF



OVERALL THOUGHTS ON FREEZER BEEF

- Expect to be in sales / service role
 - Lots of communication and logistics
- Customers are accustomed to retail prices
- Lower “revenue” potential than retail sales, but likely better return when considering all costs
- You can start small and probably should

SOME RULES OF THUMB

- Dressing Percentage = 52-62%
 - Carcass weight as percent of live weight
 - Affected by fat, gut fill, etc.
- Meat yield = 55%-73%
 - Retail meat as percent carcass weight
 - Greatly depends on how cutting method!

Example:

1200 lb steer

720 lbs hanging weight (1200 × 60%)

490 lbs of actual meat (720 × 68%)

PRICING STRATEGIES FOR FREEZER BEEF

- Base price on live weight – “On the Hoof”
- Base price on carcass weight – “hanging weight”
- Base price on retail lbs or “take home meat”

PRICING ON THE HOOF

- Simplest way to price – start with a target price on the hoof
- Set price at per lb: \$1.75
- Steer weighs 1,200 lb
- 1,200 lbs @ \$1.75 = \$2,100 and customer pays processing
 - If two customers are splitting, they each pay half of animal value and processing

PRICING BASED ON CARCASS WEIGHT

- Be sure you can easily work between live and carcass price
- Carcass price = live price / expected dressing percentage
- Example: Live price of \$1.75
- $\$1.75 / 60\% = \2.92 carcass price
- 720 lb carcass (1,200 lb x 60% dress) @ \$2.92 = \$2,100 per head and custom pays processing

PRICING BASED ON CARCASS WEIGHT

- Eliminates issues of shrink, gut fill, etc.
- Producer can capitalize on higher dressing percentages
- Makes selling halves and quarters a bit easier

INCORPORATING PROCESSING COST INTO PRICE

- The further you get away from selling on the hoof, the more necessary this becomes
- Makes it somewhat cleaner and easier for customers
- Potential for increased liability
 - Some producers offer “free” processing

TYPICAL PROCESSING COSTS

- Usually per head kill fee + \$/lb carcass wt
 - \$40-60; \$0.40 – \$0.85 / lb
 - \$550-\$600 for our animals under USDA
- Example: 1200 lb steer and 720 lb carcass, processor charges \$50 / hd and \$0.65 / carcass lb
 - $\$50 + (720 \times \$0.65) = \$518$
- Custom processing could be cheaper

INCORPORATING PROCESSING COST INTO PRICE

- Learn to think about processing costs by quantity
 - Per animal, half, quarter, etc.
- Example: \$518 estimated processing costs
 - 1,200 lb steer - \$0.43 per lb liveweight
 - 720 lb carcass - \$0.72 per lb carcass weight
- Just add these to your price targets
 - Live price = \$1.75 + \$0.43 = \$2.18
 - Carcass price = \$2.92 + \$0.72 = \$3.64

PRICING BASED ON RETAIL MEAT

- Example: 1,200 lbs steer, 720 lb carcass (60% dress)
- Estimated “cutout percentage”: 68%
 - Expected meat yield of roughly 490 lbs
- Final meat yield: 40.8%
- $\$1.75 / 40.8\% = \4.29 without processing costs
 - Or $\$2,100 / 490$ lbs of meat
- Add another $\$1.06$ per lb to cover $\$518$ processing per head = $\$5.35$
- All these have just been examples for illustration

PRICING BASED ON RETAIL MEAT

- Simple for customers to understand
- Quantity will vary greatly based on cutting instructions
 - Have a “standard cut” if you take this approach
 - Some customers will try to “game the system”
- Will allow for “packages” to be sold
 - Smaller quantities than quarters
 - Example: 50 lb package – mix of cuts
- Get insurance advice on liability concerns



Average Dressing/Cutout Percentages for Beef Cattle

	Dressing %	Cutout %	Final Meat Yield %
Grain Finished	60-64	55-73	33-46
Grass Finished	53-64	55-73	29-46

Note: These estimates assume a reasonably finished animal and can be lower for an immature animal.

FINAL FREEZER BEEF THOUGHTS

- Consider logistical / planning when pricing
 - Always easier to lower price than raise it
- Charge more for smaller quantities?
 - Halves, quarters, packages
 - May have to sort / pay more
 - Price to move customers to halves?
- Be clear about pickup / delivery expectations



**ROLE OF THE PROCESSOR IS ALWAYS
CRUCIAL, ESPECIALLY FOR FREEZER
SALES**



2 GENERAL CATEGORIES OF MEAT PROCESSORS

- USDA Inspected
 - USDA inspector present regularly
 - Allows for meat to be sold in most any market
 - Labeling requirements do exist
- Custom exempt
 - Provides custom service for end-user of meat
 - Can be used for direct marketing – sell live animal

THE ROLE OF THE PROCESSOR

- Provide slaughter and custom processing services
- Animal handling, sanitation, etc.
- Other services
 - Labeling
 - Aging
 - Packaging
 - Logistics
 - Value added products
- Often a major contact point for customers

FACTORS TO CONSIDER WHEN CHOOSING A PROCESSOR

- Cost
- Distance for delivery / pickup
- Quality / dependability / responsiveness / transparency
- Ability to do value-added processing
 - Patties, brats, curing, smoking, etc.
- What sorting will they do?
 - Halves, quarters / split halves, etc.

COMMON PROCESSING CHALLENGES

- Scheduling
- Fluid processing dates
- Working within pickup windows (might be narrow)
- Not cut as intended
- Part of order disappears
- Quality issues
- Packaging issues – bad packages or labeling errors
- Don't promise organs

THE BASICS OF LABELING

- USDA inspected product being resold will have labeling requirements
- Processor should have generic label
- Simple personalized labels can be approved by inspector on site
 - Farm name, logo, etc.
- USDA-FSIS can approve sketches of labels as well
 - Label expeditors can be hired
- Be aware that many terms have specific USDA definitions that must be verified
 - “lean”, “organic”, “natural”, etc.

WHAT WILL NEW CUSTOMERS ASK?

- What will it cost?
- When will it be ready?
- How much meat will I get?
- How many lbs of what?
- How much freezer space do I need?

TYPICAL FREEZER BEEF CHALLENGES

- Processing costs – expect to pay 2-3 times what large packer cost is
 - Scale and offal challenges
- Limited freezer space for most consumers
- Significant up-front cash outlay for customers
- Collection problems
- Customs will “commit” and back-out



SELLING RETAIL



Missouri Legacy Beef

"Family Farm Fresh"



ESE BEEF PO

ERLAND
 Y, TOMME STYLE
 NGER
 WASHED RIND
 NG FERN
 . CREAMY, 1 LB. WHEEL
 DETLI
 IE STYLE

STEAKS

- FILET 18/16
- RIBEYE 13/16
- NY STRIP 13/16
- SIRLOIN 8/16
- FLANK 10/16

ROASTS

- CHUCK 6/16
- SHOULDER 6/16
- SIRLOIN TIP 7/16
- RUMP 7/16
- EYE OF ROUND 7/16
- TOP ROUND 7/16

- HOT DOGS 8
- SOUP BONE 3²⁵
- STEW 7
- OXE TAIL
- SHORT RIBS 3²⁵/16
- HEART 2/16
- KIDNEY 2/16
- LIVER 2/16

GROUND

- 1lb. \$6⁵⁰
- 5lb. \$32
- 10lb.
- 20lb.

- CHOPS 8/16
- SHOULDER 8/16
- HAM 4⁵⁰/LB
- SAUSAGE 5
- BACON 4
- LINK SAUSA
- SPARE RIBS
- NECK BON

SELLING RETAIL CUTS

Sell packages:

- Farmer's Markets
- On-farm store / Online
- Restaurants

Need:

- Federally inspected processor
- Labels
- Right attitude deal with customers

EVALUATE ALL MARKETING COSTS

Account For:

- *Time (Labor)*
- *Transportation (full cost)*
- *Storage*
- *Samples and spoilage*

FARMER'S MARKETS

- Growing market
- Usually works with freezer / fridge / coolers
 - Check with local health departments
- Some marketing is done for you
- Customers not overly price sensitive
- Product must be labeled for retail resale

ON-FARM RETAIL

- Must get consumer to come to you
 - Extra stop = extra cost
 - Can be incorporated with agritourism
- Customers not overly price sensitive
- Product must be labeled for retail resale
- Consider potential for disruption

CSA'S

- Subscription service where consumers get share of farm output
- Will require considerably market-savvy person to do this for meat
- Potential to partner with someone who has a CSA and offers produce?

FINAL THOUGHTS ON SELLING RETAIL

- Can you get customers to come to you or do you need to go to them?
- What price points will your location support?
- Must price such that sale occurs roughly in carcass proportions



WHOLESALE OPPORTUNITIES



WHOLESALE OPPORTUNITIES

- Sell live animals in bulk, typically priced live or by carcass weight
 - Aggregator: Hickory Nut Gap
 - Processor with retail / wholesale market
 - Other direct marketer of some type
- Low marketing costs – both dollars and effort
- Lower revenue potential
- Can be excellent complement to direct sales!

RESTAURANTS

- Difficult to get “direct to consumer” return
 - Restaurants accustomed to wholesale price
- Excellent opportunity for high-end steaks and burger
 - More difficult for lower end steaks and roasts
- Take samples, follow-up, ask about featuring
 - Want something different, used to sales prof.

FINAL THOUGHTS

- It's often smart to start small
 - You don't want to get stuck with finished cattle
- Careful planning is a must!
- Expect things to change / be flexible
- Explore insurance options
 - Start with existing policy
 - Be honest with agent about what you are doing

CONTACT INFORMATION

Kenny Burdine
UK Ag Economics
(859) 257-7273
kburdine@uky.edu
[@KYCattleEcon](https://twitter.com/KYCattleEcon)

