

Sierra Nevada Beef

PROJECT OVERVIEW

Overview

The High Sierra Resource Conservation and Development Council (High Sierra RC&DC) and the University of California Cooperative Extension (UCCE) are seeking funding to conduct a feasibility study and develop a business plan for developing high-end direct marketing opportunities for the region's beef cattle producers. Specifically, this project will assist local ranchers in marketing premium ground beef to consumers through area resorts, restaurants and retail outlets. This project seeks to address these factors by creating opportunities for direct marketing a value-added product, which will allow ranchers to retain a greater share of the consumer dollar.

Background and Goals

The Sierra Nevada region is a critical part of California's range cattle industry. Both cow-calf operations and seasonal stocker operations are based in the area. In most Sierra Nevada counties, cattle and calves are among the top three agricultural commodities produced. In addition to this economic contribution, range livestock production provides important environmental values as well, including open space, wildlife habitat and viewsheds. Economic viability is a key factor in the decisions of individual ranchers to keep their land in range livestock production. Generally, livestock producers have very limited opportunities to market products directly to consumers, due to a variety of factors. These factors include the concentration of slaughter and processing capacity, food safety and inspection issues, and economies of scale in the processing and marketing sectors.

In the last 5 years, there has been increased interest in marketing livestock products directly to consumers. In the beef industry, these efforts have faced several challenges. From a processing perspective, existing food safety and inspection regulations, economies of scale, and capitalization requirements make the start-up of small facilities untenable. From a marketing perspective, these efforts have faced difficulty in selling lower priced cuts – difficulties that are exacerbated by the perishable nature of fresh beef products.

In Routt County, Colorado, a group of ranchers has joined with nonprofit groups and resort-based businesses to create Yampa Valley Beef (YVB). This producer-owned company was formed in 1998 to preserve working landscapes in the Yampa River valley through increasing profitability for members by selling beef to the Steamboat Springs resort market. To accomplish this, the company pays a premium of approximately \$100 per head over traditional terminal markets for utility cows and bulls. At least 25 percent of the cattle processed must have been grazed on lands permanently protected by conservation easements. The primary product marketed by YVB has been ground beef – the company sells hamburger to 22 different restaurants and retail outlets in and around Steamboat Springs and is the sole provider of hamburger patties to the Steamboat Springs Ski and Resort Association.

The YVB model provides a number of useful concepts. By concentrating on ground beef, YVB has built its foundation on lower priced cuts. Because it is certain that it can sell as much ground product as it can produce, the company is now beginning to test market steaks and other high priced cuts. By partnering with an existing USDA inspected processor, YVB has avoided the costly construction and operation of its own facility and has helped its partner (Mountain Meat Packing) increase productivity. Finally, by concentrating on the connection between ranching and land conservation, YVB has developed a marketing "story" that resonates with high-end consumers in resort communities.

Many parallels exist between Routt County, Colorado, and the Sierra Nevada region. In both areas, privately owned ranches provide a number of environmental values, from wildlife habitat to open space.

In both areas, recreational opportunities attract people from outside the area who generally have high disposable incomes.

The High Sierra RC&DC and UCCE are conducting a feasibility study and develop a proposed business plan to create a similar effort in the Sierra Nevada region. Such an effort brings cutting-edge economic development strategies (by enhancing local economic capacity rather than attracting outside businesses to the region) to the question of niche markets for beef products. In addition, this project will provide opportunities for consumers to tie their purchases directly to the sustainability of ranching and working rangelands.

Challenges and Project Objectives

Marketing beef directly to consumers poses a number of challenges. First, the U.S. Department of Agriculture's Food Safety Inspection Service (FSIS) must inspect slaughter and processing facilities. The Hazard Analysis Critical Control Points (HACCP) plans that slaughter and processing facilities are required to develop and implement are costly, as is the technology used in modern facilities.

Consequently, new slaughter and processing facilities require large amounts of capital. The economies of scale required to make new small-scale plants economically viable, therefore, are prohibitive on a regional level.

Even when the regulatory and economic challenges are successfully addressed, however, direct marketing of beef creates additional uncertainties. Typically, higher priced cuts of beef (e.g., steaks) are easily marketed. Lower priced cuts (e.g., rounds and chuck) are more difficult to market. Since more than half of each 600 to 700 pound beef carcass is comprised of these lower priced cuts, marketability of the entire carcass is difficult. Furthermore, fresh cuts are perishable, making timely marketing imperative. Finally, beef quality and consistency are complex, especially when working with a large number of producers.

To stand out in the market place, locally produced products must create brand recognition and loyalty among consumers. The challenge for producers, then, is to create a marketing "story" and brand identification that resonates with targeted consumers.

Finally, for any direct marketing effort to benefit producers, these producers must capture most of the value added to the product at each stage of production. For example, the processing of carcass beef into retail cuts (e.g., ribeye steaks, ground beef, etc.) adds value to the product. Direct marketing efforts must be organized so that the producer-owner receives this added value.

In summary, efforts to market beef directly to consumers face the following challenges:

- Food safety and inspection regulations
- Capitalization requirements
- Marketability of high-priced versus low-priced cuts
- Perishability
- Product quality and consistency
- Brand identification
- Producer control and profitability

Benefits

This project will have numerous benefits. First, by establishing an opportunity for cattle ranchers to begin marketing beef directly to consumers, it will allow ranchers to capture a larger share of the consumer dollar. Specifically, local producers will receive a premium for the animals marketed through this program. Second, providing consumers with the chance to purchase locally-produced beef will help

make an economic connection between agricultural production and environmental stewardship that will benefit all local agricultural producers. Third, by focussing initially on ground beef, this project will build a foundation for marketing higher priced cuts in the future. Finally, by creating partnerships between producers, processors, retailers and consumers, this project will foster future collaboration in developing locally-based food systems.

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