



High Sierra Beef

A producer-controlled business that will market locally-produced beef products to consumers in the Sierra Nevada region and beyond

EXECUTIVE SUMMARY
HIGH SIERRA BEEF FEASIBILITY STUDY
SEPTEMBER 27, 2003



Mr. Ridge Shinn III
Bakewell Reproductive Center, LLC



Dr. Allen Williams
The Jacob Alliance

OVERVIEW

In the fall of 2001, a group of ranchers and local agricultural experts met to discuss opportunities for marketing locally-produced beef with the support of the High Sierra Resource Conservation and Development Council (High Sierra RC&DC) and the University of California Cooperative Extension (UCCE). These ranchers, formed the High Sierra Beef Steering Committee to conduct a feasibility study and write a Business Plan. The objective of the High Sierra Beef Program is to create a producer-controlled business that will market locally-produced beef products to consumers in the Sierra Nevada region and beyond.

High Sierra RC&DC and UCCE received \$136,300.00 in grant funds from the United States Department of Agriculture (USDA), California Department of Food and Agriculture (CDFA), University of California Center for Cooperatives, and the Forest Service to conduct a feasibility study and write a business plan for High Sierra Beef. In addition, the Sierra College Small Business Development Council (SCSBDC) was contracted to assist on the project.

A project management team of Dan Macon (High Sierra RC&DC), Roger Ingram (UCCE), Doug Freeman (SCSBDC), and Terry Jochim are responsible for executing the tasks delineated by the Steering Committee.

TASKS

High Sierra Beef addressed the feasibility of creating opportunities for marketing value-added beef products for the purpose of allowing ranchers to retain a greater share of the consumer dollar.

The determination of opportunity required the project management team to complete a variety of tasks. Those tasks included but were not limited to the following to acquire a comprehensive spectrum of information and data about the beef industry:

- Construct a beef industry business flow
- Execute internet research and analysis
- Develop, conduct, and analyze producer and market segment surveys
- Identify and analyze producer and business challenges
- Investigate similar businesses
- Consult with experts in a variety of beef industry fields
- Develop a marketing strategy and identify issues
- Construct a list of pros and cons inherent in marketing beef

RESULTS

The beef industry business flow articulated many salient points in the beef industry process as well as provided a diagram of all the potential steps, opportunities, and costs from the producer to the consumer.

National, state, and local information in the form of consumer and product trends, academic research, marketing information, labeling issues, case studies, just to name a few, materialized from internet research.

The producer surveys indicated that sufficient year around supplies of cattle are available, that breed type is inline with similar business models, and that producers are executing the right management techniques and protocols to support a niche market business opportunity. Conservation and environmental advantages appear to be a marketable attribute for High Sierra Beef.

Market segment research surveys identified five top attributes from a small segment of 29 restaurant and retail market businesses in a seven county area. The five top attributes in order of priority are:

1. Consistent Quality
2. Food Safety Assurances
3. Flavor
4. Tenderness
5. Quality Assurance Certified

The market segment research did not interview the consumer. However, through our internet research, some trend information supplemented the loss of local real time feedback. In those cases, we had the ability to protract data to our local county level.

In addition, product tasting of a locally-produced cull cow was conducted at the UCCE Office and the Gold Country Fair. The survey results track with the aforementioned Market Survey results. The top 5 attributes where:

1. Tenderness
2. Quality Assurance Certified
3. Flavor
4. Food Safety Assurance
5. Antibiotic Free

The spectrum of producer and business challenges was extensive but narrowed through analysis and level of importance criteria. The common challenges worthy of consideration are:

- Cattle performance
- Importance of genetics
- Development of a protocol
- Unit cost of production and breakevens
- USDA processing

The variety and combination of beef business opportunities is overwhelming. Consequently, the project management team developed a filtering process to narrow down options for the best High Sierra Beef fit. The challenge was to surface a niche market for local producers. As expected, management and financial risk influence the opportunity to develop a competitive product when attempting to compete with major beef programs. And, of course, a producer always has the opportunity to align with normal commodity market and/or branded beef program.

The project management team consulted with a variety of experts in the beef industry such as feedlot owners, abattoirs, Executive Director's and Vice Presidents of branded beef alliances, beef and restaurant marketing specialists, distributors, academia, etc.

From our research, we identified, organized, and categorized the following data points and criteria to achieve a marketing strategy and recommendation:

- ◆ Marketing options
- ◆ Applicable markets
- ◆ Type of cattle
- ◆ Producer could be paid on
- ◆ Producer could be required to
- ◆ Applicable producer segments

In addition, the project management team identified 12 analysis and risk measurement points of which seven key points were selected to narrow the field of potential marketing options or programs or alliances for consideration. The key points in order of priority are:

1. Applicability to High Sierra Beef Vision
2. Producer Financial Risk
3. Product Selling Price
4. Current Market
5. Market Potential
6. Realize Revenue Return
7. Carcass Discount/Premium Potential

From the filtering process, the project management team surfaced four potential programs or alliances. One of these programs or alliances will be recommended along with the related financial value as well as pros and cons on September 27, 2003 at Fruitvale School, Lincoln, California.