

Yampa Valley Beef – CJ Mucklow 6/03/2002

Yampa Valley Beef is a Limited Liability Corporation – LLC

Ground beef is there number 1 product

Two main features:

Tastes great

Helps protect working landscapes

Conservation:

At least 25% of the cattle are grazed on conservation easements

Yampa Valley Beef contributes money to a conservation organization – an example would be a land trust

Started in 1997 – Worked with the Nature Conservancy and local Economic Development Council

Ski resorts need ag to help market the area

Increasing ag profitability is better and cheaper than with easements (land is running \$5000 an acre)

Started meeting on the project in Fall 1997. They kicked off the product in December 1998 with 10 steers. They evolved to cows and bulls.

In year 2000 – marketed 30,000 pounds of ground beef

In year 2001 – marketed 30,000 pounds of ground beef

This is about 80 cows per year.

When CJ was talking to food editors, had to change from referring to “cull cows” to “culinary cows”

YVB sell ground beef that is 80% lean and 20% fat

Cattle need to be in BCS of at least 5. If you look at a chart, BCS of 5 is about 22.5% body fat.

After the meeting, CJ mentioned that a BCS 6 was better. Looking at a chart, a BCS 6 is about 25% fat.

The cows must not have been continually fed antibiotics

English breeding

No physical defects such a cancer eye

They sell the following patty sizes:

Quarter pound, Third pound, and Half pound

They all sell each size as scored or unscored

YVB sell primarily wholesale to Steamboat Springs ski resort
Sell for \$2.29 a pound (Montfort sells for \$1.29 a pound)

In getting a restaurant to sell Yamba Valley Beef, YVB would suggest raising the price of the burger \$1.00 and see if it effected sales. Increasing the price \$1.00 only increased the cost to the restaurant 33 cents. Most times sales of hamburger did increase even with the \$1.00 increase in price. One time the sales stayed the same.

They did some sort of consumer survey:
82% said they would buy beef to help preserve local ranches.
Some % said they would pay a higher price

After 18 months in business, they had a positive cash flow and \$78,000 in the bank.

YVB generated great PR for all cattle in Colorado.

Ranchers were paid on a boneless basis – There was a premium of \$100 per head.
This works best if cattle prices are low (in Colorado they went down to 28 cents a pound due to drought)

You need a fleshy animal to make this work. (Note: I can see this working pretty well in May and June as cull animals come off the spring flush of growth. Fall and winter seem like problem areas due to lack of quantity and quality of feed. Perhaps an emphasis could be placed if there are some cows run on irrigated pasture during the summer for fall.)

Being in the project taught ranchers about beef marketing.

This was the first time a production economy could make inroads in a resort economy.

Marketing:
Sell the sizzle. YVB won 2 out of 3 taste tests. The taste tests were run against Safeway and Maverick. Every one was at a 80% lean : 20% fat ratio.

They needed a logo

They developed a brochure that was expensive and did not sell beef. They use it now to pass out at informational meeting like the one held June 3rd.

They did radio and newspaper advertising. Radio did ok, newspaper not as well.

They offered Christmas bundles and that worked well.

Used little cards at restaurants – but they did not generate sales

They also had tent cards which CJ had a sample talking about a specific rancher.

Regional food press helped sell a lot of product.

Small processors need a variety of products.

Processing – Fresh or frozen

Restaurants used frozen

When started, the average cow was 85:15 on fat to lean. They had to buy fat to add. The 20% fat is important because if the product is too lean, it will not hold together.

YVB cows come off of grass in October – November

Aging – in 7 days, lose moisture and the burger will not hold together.

You must go from slaughter to frozen quickly – 3 days is optimum, 5 days was the average for YVB

They only pulled the tenderloins on the cows and sold them for \$4.99 – 7.99 per pound

YVB Products

Quarter pound, third pound, half pound, chubbs in 1 and 5 pound packages. Patties could be scored or not scored. The scoring pokes holes in the burgers allowing them to cook quicker. You can score one or both sides.

Need to find out if processing plant can score and does it have a patty machine. Ernie Phinney said Johansen's Meat did have a patty machine.

Can't store patties more than 3 months. You can increase this to 6 months by cryovac packaging and animals being cool at slaughter? (Not sure what that meant)

YVB did have some beef that tasted bad. Due to free radicals. The beef was not frozen quick enough. Some restaurants did not keep them cold enough.

In freezing, you want it to occur in an hour. If you stack too high, some boxes will take up to 48 hours to freeze – too long. Need short stacks.

Inventory management – Need to make sure all boxes rotate out. Otherwise, the new boxes keep going out first and you end up left with all old boxes at the end.

You need a consistently delivered, quality product.

YVB did not have contract specifying product with the processor.

Delivery needs to be in a refrigerated truck, not the back of a pickup.

Liability another issue. YVB can trace back to origin of ranch that animal came from. They attached a rider to the packing plant and took out their own liability for \$1,000,000. The packing plant liability amount was much higher, but CJ did not say an amount.

YVB was undercapitalized. They had one paid staff member for \$50 per week.

YVB had no plan for product expansion. Did look at beef jerky.

There is also two other reserved trademarks – Ski Country Beef and Snow Country Beef

Working with the Board of Directors and ranchers in the project requires good facilitation. Need to find ways to make something work. Stick with the issues – not fingerpointing.

Someone needs to be in charge.

YVB started with \$20,000 in grants (4 \$5,000 dollar grants)

Membership was \$100 and is now higher.

Average return per ranch was \$500

Need help with marketing

Colorado State University helped with free radical problem

YVB did not know break-even price

Chamber of Commerce had someone who helped with the marketing

22 members of YVB and they owned 64,000 deeded acres. It would be interesting to know how much they leased. There were also small ranches.

They used conservation easements because it was measurable without needing to be monitored. 50% of the land the cows graze on is on conservation easements. I am sure that refers to deeded acres.

Did a Limited Liability Corporation on advice of lawyers. This limits the exposure of the members.

Important to educate wait staff at restaurants on the beef. An incentive program can help their awareness.

They do not market as a natural product. They used a local label (approved at local plant) in conjunction with the processor's label. Harder to get national label and even more difficult for organic.

Board of Directors with by-laws

Delivery times were December and February 15. Order of delivery based on when you joined the corporation.

Hard to keep February cows in good shape. Could get 100 pounds on in 45 days at a feedlot due to compensatory gain.

Did an October taste test with the ski corporation.

In October, they stopped operating. Lack of processor and delivery. No beef has been sold for 6 months. Felt if tried to keep going, would have sacrificed consistency.

Burnt out people are bitter with the packing plant.

YVB did buy a freezer located close to Stremboat Springs ski resort

When sell in supermarket – used cryovac packaging. Restaurants used 12-15 pound boxes, no cryovac.

When started, paying 20 cents per pound for distribution. Distributor wanted a higher price.

Noble Cisco? Needed beef at a HACCP plant with a magnet to scan meat for heavy metals. The processing plant did not have the magnet.

Processing plant manager could reject cow. If carcass was condemned, that animal was the rancher's responsibility. They never did have a condemned carcass.

Live weight to hanging weight was 50%. Hanging weight to boneless meat was 65% (range was 55-72%)

1,000 pound animal would yield 500 pound carcass. The 500 pound carcass would yield 325 pounds of boneless meat.

Breakeven price (I guess they figured it out) was \$1.85 per pound
Range was \$1.82 - \$2.03 due to changes in processing cost

It cost \$35 to slaughter and 25 cents per pound to process.

Again, program works better when cull cows are cheap.

The processing plant kept the offal or threw it away. There is a market for heads and hide (not sure in YVB got to keep that or not)

No market for internal organs, so they lost \$100 per head (is that due to age of animals or something else?)

Need to be within 45 miles of processing plant. Can't haul more than 100 miles.

YVB did not affect cull cow prices at the auction yard.

Animals were individually identified. There were also lot numbers and dates for the processing. Ranchers paid on boneless yield.

Customers wanted to know whose beef they were eating (which ranch). This is how the tent cards were used.

Also sold hats. T-shirts could be a possibility.

Weekly deliveries

CJ was in charge of cattle procurement – he got the cattle to the processor and got them weighed. He also got the printouts. These were then given to Mary Kay and she handled distribution, payments, etc..

Treasurer signed the checks.

YVB is 0 for 3 on grants. One of those was Western Region SARE. They turned down Sierra Nevada Beef as well – so they do not like coops.

The board and CJ are burned out. No plan for company to grow.

If you sell wholes and halves, you eliminate 90% of the market.

Other coops are the Wool Coop – sells blankets. Cost \$2500 to join. 5 people are members. Sold \$120,000 worth of blankets last year.
, Homestead Beef and Boneless chuck roast

If sell at auction, have trucking, 4% commission

Price producer receives must make it worth their while.

Don't determine price by the going commodity price.

Need a paid person. The board can set direction, but a paid person is needed to set get things done.

YVB needs more capital – Venture capital, micro-loans

Did do a feasibility study – CJ said he would share.

20,000 people live in Routt County. They have 500,000 visitors.

CJ Mucklow – 970-879-0825

Ernie Phinney – Western Ranchers Beef and Western Grassland Beef

Western Grasslands Beef

Cattle producers are in the food business.

Test marketed grass and grass hay fed beef in 120 households. Using the Argentina model for quality.

Process at Johansen's

Western Ranchers Beef – 96 members when formed

Quality certified

No artificial hormones

Record keeping

Bunk broke – I guess for hay feeding

Will take all types of cows.

Producer is paid a premium of 5-10%

Western Grassland Beef

Market differentiation

Aged beef – lack of consumer awareness

Production protocols

SF distribution 18 restaurants and 2 markets

NY Times article on Power Steer has caused an exponential growth curve in the grassfed beef Program. Free advertising.

Still balancing product mix

Restaurants – High end

Markets – Trim, grind own

Selling 12 head per week (Need 25 head per week to break even – projected to get there by the end of the summer)

12-14 month old animals

Breeding is 75% Angus, get up to 900-950 pounds. 14 days aging.

Consistent supply through varied locations and production systems.

Johansen's - Cryovac, patties, HACCP

Number of cows pledged by participants – A total of 136, although one had 80 cows – not sure that is realistic. Most were between 3-5 cows.

Bulls – a total of 15. One ranch was for 7 bulls

