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Niche Marketing of Beef in California Update

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A total of four niche meat marketing conferences have been held since 2003 with an average attendance of 80 people. There is continued and sustained interest among several California producers in marketing product direct to consumers, restaurants, and retail stores. Most people are doing their own individual effort. A few are participating by providing cattle to existing niche marketing companies such as Western Grasslands Beef and Niman Ranch. The purpose of this paper is to describe current issues facing niche beef marketers and discuss potential alternatives.

Whether you are doing everything yourself or contracting with an existing company, there are six main components to any niche beef marketing effort:

Genetics	Production	Finishing	Processing	Marketing and Sales	Business
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As a niche beef marketer, you need to decide whether you want to do it all or focus on a subset of the six components. Many people are trying to do all six with varying levels of success.

Genetics

The two main genetic issues are the ability to marble (deposit intramuscular fat) on grass-finishing diets and frame size. While most genetics will tend to be geared towards a traditional grain finishing system, there still remains breeding stock out there that can finish on grass. If an animal can finish easily on grass, it more than likely will do the same with grain finishing. Switching to genetics that can finish on grass will not preclude you from selling to traditional markets if you cannot market all your animals as grass-finished.

Bloodlines from 50-60 years ago were well suited to grass-finishing. Finding breeding stock with the potential to pass on grass-finishing (marbling) can cause you to become a breeding detective. There are software programs associated with ultrasound that can help you identify breeding stock. Genetic stock and semen imported from New Zealand for the Red Devon breed is being touted for its ability to marble on grass. The downside is the high expense of buying a breeding animal. A more economical solution might be to purchase semen.

Two and Half Years

Whether you are using visual appraisal, ultrasound, or trying out new genetic lines, the downside is that you will not know the results of your choice for almost three years. Think about it:

- You breed the cow or heifer
- Gestation is nine months
- It will probably take 18-22 months for the offspring to be ready harvest
- Harvest the animal and get the carcass data

Only then will you know the results of your choices. Hopefully the choices will be successful.

Frame Size

The larger the frame size of your animal, the more difficult it is to finish on grass. The reason is that rumen size is fixed at around 65% of the mature body weight of the steer or heifer you are trying to finish. Once rumen size is fixed, you are limited by that size as to the amount an animal can consume. The rumen has to empty for more consumption to occur. As an animal gets older and bigger, its maintenance requirement increases. More of the forage in the rumen goes for maintenance and less for growth and finishing. In other words, the finishing phase is inefficient for getting needed gain on grass.

The solution is to breed smaller frame animals that will finish between 1000 and 1200 pounds. Any animal greater than a frame score of four will take a longer time to finish on grass. Smaller is better.

Open replacement heifers can provide a good starting point for getting into grass finishing if you have some access to irrigated pasture. One grass-finishing group took five open heifers and finished them for 60-70 days on irrigated pasture. These average carcass results from the heifers were as follows:

- Live Weight = 937 lbs
- Hot Carcass Weight = 546 lbs
- Dressing Percentage = 58.6%
- Maturity = A
- Quality Grade = Choice-
- Yield Grade = 1.8
- Ribeye Area = 11.6 sq in
- KPH % = 1.3
- Retail Yield = 343 lbs of which 126 lbs were trim

While you may want to be a bit heavier animal to achieve a higher carcass weight, the average finishing grade of Choice- for these small framed heifers illustrates of what can happen on grass with small framed animals. You can get to a choice grade on grass and/or forage

Production

Production takes into account the cow-calf and stocker phases. Most people have experience with these two phases. It is relatively easy to find custom graziers who will take animals in on the stocker phase and be paid either on the gain per pound or per head per month charge. The key point in both these phases is keeping the animal healthy so that it continues to grow throughout

these phases. Any type of forage strategy that can minimize periods of no gain or loss is very beneficial. By the end of the stocker phase, you will most likely have an animal that weighs between 750-850 pounds.

Finishing

Finishing is the period of time the animal puts on the last 200-300 pounds after the stocker phase. This is assuming a finish weight between 1000-1200 pounds. Ideally, you would like to maintain a average daily gain of 1.75 lbs. You definitely need to have animals consistently gaining weight at that rate or higher the last sixty days prior to harvest. Remember, marbling is the last fat deposition by the animal and the first that will be lost if it starts to lose weight in that period. There is not a custom finish grazer network in California. This puts people in the position of having to do it themselves. This means you are limited by the forage resources you have on hand or you need to find additional sources.

Another challenge is the spring flush of growth that occurs in roughly from mid-March to mid-May. If the grass gets ahead of the animals, it loses quality. It is important to keep finishing stock on vegetative grasses and forage to keep weight gains high. Shorter graze periods will also encourage higher consumption as animals will tend to eat more when exposed to fresh feed.

Annual Range

Thousands of acres in California make up annual range. A lot of it can be used for most of the year as cow feed. Out of 365 days in a year, annual range will only provide 60-75 days of feed that is of sufficient quality and quantity to use for grass-finishing.

Irrigated Pasture

The use of irrigated pasture can extend your grass-finishing ability at least through June. July and August can be problematic due to the annual summer slump that occurs with orchardgrass and tall fescue pastures. These are cool season grasses that grow faster in the spring and fall while slowing down in the summer. One way to deal with the summer slump would be to finish more of your animals in late spring and early summer. This would allow you to reduce stocking rate of finishing animals to match the lower supply of forage in the late summer.

Fall and Winter

The challenge for grass-finishing is during this time frame. We do not have enough supply of grass on either irrigated pasture or annual range to achieve needed weight gains. Here are some potential solutions:

- Stockpile some feed from irrigated pasture that could be harvested later in the fall. This would help maintain supply, but quality will drop
- Plant winter annuals in August or September and irrigate and these would be available to grazer by November. You would need land, equipment, and irrigation. They have had good success up Siskiyou and Modoc Counties growing planted winter annuals and many dairies in California use them effectively.
- Use by-product feeds to supplement the existing forage supply. California grows approximately 250 crops. This gives grass-finishers option for additional feed choices. It is important to only select those by-products that do not alter the typical fatty acid profiles of grass-fed beef. Baublits, et al (2004) utilized pelleted soybean hulls fed at 1%

body weight to finish steers to a choice quality grade on orchardgrass and tall fescue pasture in Tennessee. Baublits, et al (2004) found that feeding of the soybean hulls did not impact the fatty acid profiles typically associated with grass-finished beef.

- Being willing to ship animals to other parts of the state that have grass when you do not.
- Silage and haylage would be of sufficient quality for grass-finishing
- Hay could be another source for forage provided it was of sufficient quality

Processing

Another big challenge for grass-finishing beef is the lack of USDA inspected harvest and processing sites in California that are open to the public. Here is a map of USDA inspected beef harvest facilities (there may be more, but these are the ones I am aware of).



On the following page is a map of USDA inspected processors (there may be more, but these are the ones I am aware of).



The big issues are as follows:

- Those who are currently in existence can get overwhelmed with demand at certain times of the year which can delay animals get processed
- Transportation to USDA harvest and processing sites can end up being very far. The combination of high mileage for the round trip along with few animals going in the trailer can result in profit being eaten up by this direct cost
- Processors need a consistent supply coming in to keep labor permanent. Processors need cutting instructions that fall in line with Institutional Meat Purchase Specifications (IMPS).

Marketing and Sales

Marketing is how you generate the interest in your product. Sales means taking the order, fulfilling the order, providing customer service, and getting paid. Marketing can be accomplished in a variety of ways:

- Tasting of product
- Providing meat for a community event
- Cooking at local food events
- Providing samples to potential marketing outlets such as consumer groups, retail stores, and restaurants
- Advertising in a cost-effective manner
- Presentations to help educate clientele about your grass-finished product
- Recipes and cooking instructions

Sales means getting the product the customer desires in their hand at the time they need it. Consumers will more easily adapt to a seasonal frozen product. Most stores and restaurants desire a year round fresh product.

Since only 14% of the carcass consists of desirable high priced cuts, marketing and sales must work together in order to balance orders. If a restaurant needs a certain quantity of desirable cuts, this must be balanced with other marketing venues which will take less desirable cuts from the shoulder and rump. The failure to achieve balance with these carcass cuts can result in meat piling up in a cooler and profits disappearing.

Distribution can be another challenge. Will you run enough volume of product to interest a distributor or will you do it yourself?

Business

After all of the above is done, you still have to manage the business. Why are you in business? What is your product? Do you have a mission statement and vision? What is the motivation that keeps you in this business?

Many people assume that higher prices associated with a niche product will mean higher profits. This is not necessarily true as you incur extra direct costs associated with finishing, processing, and marketing. You will also have extra overhead marketing and sales labor costs. Do you have to price a product so high that only a small percentage of the population can afford to buy it? If you get into a store that markets a lot of product, they will push you to price points more in line with other beef products they carry. Can you accept a lower margin per animal? Can you increase turnover to overcome the lowered margin?

Conclusion

In the end – what do you want? If you can answer this question along with doing an economic analysis, it will help you pinpoint which components you want your business to be doing. You can do it all as long as volume stays relatively low. The more volume increases, the harder it will be to do it all. Collaboration and partnership will become more important to meeting the increased demand for grass-finished beef. Be sure to conduct an economic analysis to make sure it makes sense for you to be doing niche beef marketing.

Literature Cited

Baublits, et al, 2004. Carcass and color characteristics of beef from three biological types of cattle grazing cool season forages supplemented with soyhulls. *Ark. Anim. Sci Rep.* 509:9-11.

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