

Grassfed Beef Business – Grand Future?

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Once upon a time not all that long ago, all beef in North America was 100% grassfed. Cattle roamed freely over vast expanses of the Great Plains, much like the buffalo had grazed for hundreds of years. Spring roundups gathered and co-mingled herds of market-ready cattle that were grazed north to terminal markets and packing houses. This business model thrived through the post-Civil War years. By the late 1800's, advancement of the railroad network brought an end to this romantic period of the US cattle industry.



In relatively rapid progression thereafter came westward expansion, private property ownership, fences, refrigeration, trucks, an interstate highway system, corn-fed beef and decentralization of the packing industry... a greatly abbreviated outline of the evolution of the beef US industry.

Advocates of grassfed beef contend the two century old approach to producing beef exclusively from forage is more natural, better for the cattle and better for the environment. Whether cattle would rather walk for a couple of months to arrive in Chicago or ride a few hours to Amarillo is fodder for another discussion. The point here is, try as we may, we cannot and perhaps do not want to recreate beef production exactly as it was in the 1800's.

Certainly, the beef business has changed appreciably in the past sixty short years. Once offered as either a steak or stew, beef now comes with a myriad of descriptors: natural, grassfed, organic, prime, choice, select – not to mention the plethora of branded products. This 'variety' of beef products is both an advantage and a detriment. This variety cultivates consumer interest and facilitates a brand loyalty not experienced by other animal protein competitors. Consumers are more diverse and discerning and as a result have more beef choices than ever. No doubt, the beef business benefits from this variety of choices. Choices also provide healthy competition for retail shelf space, menu appearances and plate occupancy. However, marketing one beef product at the expense of another is not in the short or long-term interest of the industry.

Compared to a traditional cow/calf operation where calves are often sold at weaning and subsequently handled by other specialized industry segments (stockers, feeders), raising and finishing cattle on forage is not easy. Perennial challenges in forage finishing include managing forage quality and quantity, availability of harvest-ready cattle, timely access to a harvest and processing facility, fabrication to specifications and packaging, cold storage, advertisement,

marketing and product distribution. Grassfed beef is often produced by those with a passion for their land, their animals and a unique lifestyle, many of whom are not primarily profit driven. During the past decade, the grassfed beef sector has experienced double-digit annual growth, now constitutes 6-8% of total US beef consumption and is expected to continue to grow. Though difficult to accurately quantify, informal survey of farmer's markets, print and web appearances reflects an ever-growing number of grassfed beef producers. Grassfed beef has recently made its debut in the quick-service sector; the All-Natural burger offered by Carl's Jr.[®] is the first grassfed burger in this category. Farm Burger[™] (another chain with coast-to-coast presence) quickly followed with their version of a grassfed beef burger. National purveyors such as Panorama Meats[™] and Strauss Brands Inc. are well established in the grassfed beef business. Regional beef brands (example Nolan Ryan Grassfed Beef) are experiencing significant growth in sales as well.

All this involvement, movement and market activity points to a grand future for grassfed beef. Following are macroeconomic influences with potential to impact the domestic grassfed beef market. Those invested or interested in grassfed beef ought keep watch on these:

'Corporate' Involvement – The rise in popularity and premiums paid for grassfed beef



have not gone unnoticed by the four major US meat companies; at least 3 of 4 have publicly announced intent to offer grassfed beef. As these companies enter the grassfed beef arena, expect visibility and promotion to move up a level, a positive happening for the grassfed sector as a whole. These companies will have the 'economy of scale' advantages - product research and development expertise, supply availability, a very well developed distribution system and an extensive network of customers. These suppliers will likely quickly saturate the 'generic' wholesale and retail grassfed beef market.

Strength of the US Dollar –

The growth and value of the US grassfed beef market has garnered global attention as well. Lower input costs (primarily land and labor) and the availability of high quality forages allow cattlemen in Australia, New Zealand, Brazil and Uruguay to produce grassfed beef and deliver it to the US market at a very competitive price. The strength of the US dollar relative to currencies in these other beef-producing countries makes the US grassfed beef market all the more enticing (and hinders the sale and export of US commodities). Animal health protocols, export quotas and trade agreements have an impact on



the amount (and price) of price of beef imports, so one should not expect grassfed imports to 'flood' the domestic market.

In addition to these macroeconomic watch points, a couple of comments relative to promotion and production of grassfed beef warrant inclusion here.

Relationship marketing – Consumers who avidly pursue natural, grassfed or organic beef often want the satisfaction of knowing where, who and how their food is produced. To this



consumer group, there is no substitute for the personal relationship they cultivate with the food producer. This niche in the food market will be difficult for national or regional producers and purveyors to capture. These customers are and will continue to be best served by and most satisfied with locally grown and personally marketed products. The better they know the producer and the more personal their purchasing and eating experiences, the more loyal they become. For the foreseeable future, smaller farms and ranches who successfully cultivate these relationships will continue to have advantageous access to these discriminating customers.

Spirit of cooperation – Those who embark on the adventures of finishing cattle on forage quickly discover the associated challenges mentioned earlier – producing forage with the nutrient density to 'finish' cattle, availability and cooperativity of a suitable harvest and processing facility, cold storage, inventory management, food transport and delivery, promotion and market development, etc.

As the grassfed beef movement expands and gains momentum, it appears logical that specialized affiliates and opportunities to cooperate will arise.

- * Cooperators with the resources (land, water, equipment and expertise) to grow high quality forages and finish cattle already exist, but there remains ample room for others.
- * Overhead expenses are often large, especially for smaller operations entering the business. Potential exists for cooperation in the purchase and use of capital investments such as forage and cattle equipment, harvest and processing facilities, cold storage and transportation equipment.
- * Most grassfed beef producers experience a greater demand for their products than they can supply. A logical entry point is as a cooperating producer, supplying cattle to a fellow [like-minded] established entrepreneur. This arrangement potentially diversifies the availability of harvest-ready cattle and thereby widens the window for inventory availability.
- * Those who invest the capital to build harvest and processing facilities should consider custom work for others with forage finished cattle. Spread overhead costs over more than just processing of their cattle.

* Cooperation among producers provides a greater labor pool and the ability to 'divide and conquer' the variety of tasks associated with daily chores of forage and cattle management and the weekly demands of beef marketing.