GRASS-BASED BEEF: THE BUSINESS CASE

June 21, 2012
Presentation Outline

- Technical Orientation
- **NGFN Overview**
  
  **Jeff Farbman**  
  *Wallace Center at Winrock International*

- The Pasture Project
- The Grass-Based Beef Market
- Case Study
- Questions and Answers
- Upcoming Opportunities, etc.
NATIONAL GOOD FOOD NETWORK

Moving more good food to more people
NATIONAL GOOD FOOD NETWORK: VISION
Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.
SAMPLE OF CURRENT INITIATIVES

• NGFN Food Hub Collaboration
  http://foodhub.info

• Field Guide to the New American Foodshed
  http://foodshedguide.org

• Business and Financial Skills Training in the South

• Monthly Webinars
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: LOCATIONS
NATIONAL GOOD FOOD NETWORK

www.ngfn.org
contact@ngfn.org

... and for the Food Hub Collaboration:

www.foodhub.info
contact@foodhub.info
Presentation Outline

- Technical Orientation
- NGFN Overview
- The Pasture Project
- Warren King
  Principal, WellSpring, LTD
  - The Grass-Based Beef Market
  - Case Study
  - Questions and Answers
  - Upcoming Opportunities, etc.
THE PASTURE PROJECT
EXPANDING GRASS-BASED ANIMAL AGRICULTURE IN THE MIDWEST
Theory of Change: Purpose

- Chart a course for growth in pasture-based animal agriculture that will provide opportunity for producers, processors, buyers, investors, lenders and landowners

- Offer healthy products to consumers

- Increase the number of “vulnerable” acres under sustainable management

To result in cleaner surface and groundwater systems
Theory of Change: Strategy

- **Develop “compelling arguments”** that lead to more farmers, ranchers and landowners transitioning operations to pasture-based animal agriculture.

- **Present viable alternatives** to reliance on nitrogen and phosphorus based chemical fertilizers.

- **Provide options** to row crop farmers, such as strategic rotations and use of biological matter, that would lower costs, build soil organic matter, restore soil microbial activity, increase yields, and enhance revenues.
Key Findings of Our Research

1. The market for grass-finished beef is growing at 15-20% annually, with potential to reach 22% of households.

2. Supply of grass-finished animals is the key limiting factor.

3. Producers are lowering costs, increasing prices-margins and participating higher up the value chain by raising cattle on grass.
Key Findings of Our Research

4. Our case studies show producers need options to successfully transition to grass-finishing

5. Building producer networks that foster mentoring, dialogue and technical assistance are important to transition

6. Policy and communication play an important role in supporting moves to alternative production systems
Objectives of Pilots

1. Increase producer knowledge about alternative farming-ranching methods
2. Use “whole system” market-based approaches to create solutions
3. Change agricultural practices to protect and benefit “vulnerable acres”
4. Connect to & provide producers with resources; i.e. financial, business management, supply chain, technical assistance, mentoring
5. Reach producers of all types and in various stages of transition
6. Promote cross-organization collaboration to meet goals
7. Improve water quality and ecosystem resiliency
8. Measure and benchmark outcomes
Presentation Outline

- Technical Orientation
- NGFN Overview
- The Pasture Project
- The Grass-Based Beef Market

**Allen Williams, PhD**
*President, Livestock Management Consultants, LLC*

- Case Study
- Questions and Answers
- Upcoming Opportunities, etc.
THE PASTURE PROJECT
EXPANDING GRASS-BASED ANIMAL AGRICULTURE IN THE MIDWEST

Market Channel Analysis

Allen Williams
Current Status & Background

• There are a number of branded programs in the grass fed sector, most having started within the past 5-8 years.

• Weekly harvest ranges from less than 20 head to more than 100 head.

• Selling into retail, restaurant, institutional foodservice and e-commerce sectors.

• Most of the brands have a unique story and “place-based” history.

• There are differences in product QG and supplements allowed. Some certified, some not. Primary certifications are AGA, USDA Grass Fed, AWA, and Food Alliance.
Growth Channels

- Exponential growth in grass fed sector over past 15 years. Retail sales are now well over a billion dollars annually, domestic and imported combined.

- Grocery sales are mostly upscale retailers with a number of “mass market” regional and national chains testing grass fed beef.

- Penetration in restaurant sector ranges from fine dining to QSR (Quick Service Restaurants / Fast Food Restaurants).

- Institutional foodservice ranges from hospitals to universities, school districts, corporate cafeterias.
Facts & Bottlenecks

• Primary consumer reasons for grass fed beef purchase: Antibiotic, hormone, animal byproduct, and grain free; Environmental concerns, animal health & welfare, human health.

• Cattle are predominantly English influenced, moderate framed.

• Finished cattle sell $20-$30, on average, above commodity feds (live weight basis).

• Greatest “needs” or bottlenecks: Genetics, Professional Forage Finishing, Cost of Production (COP) control, Economies of Scale (EOS).

• Cattle are there, processing is there, IF scale is adequate.
Grass Fed Sector Needs

- Processing available at reasonable cost IF working in load lots and adequate numbers. Challenge is at smaller numbers.

- Many producers have issue with Cost of Production (COP). Must have greater control and better forage/grazing management.

- Greatest identified current bottleneck is “large scale” professional level forage finishing. Must-have for Economy of Scale (EOS).
  - Consistent finishing
  - Ability to “sort up”
  - Alternative marketing
  - Locate reasonable distance to processing

- More producers willing to transition.
Progress & Market Needs

- Industry has progressed significantly in past decade.
  - More grass fed cattle available
  - More branded programs
  - Established programs entering sector
  - Boxed beef demand on increase

- Grass Fed sector is closely mimicking “All Natural” sector growth. There will be some consolidation and strategic mergers.

- Several new major entrants to grass fed sector. Most looking for a boxed beef program.

- Several new major distribution and retail entrants.
  - Need better growth and marketing strategy
  - Better product education, Marketing collateral
  - Better understanding of “stage” of grass fed sector
  - Better carcass utilization
  - More willingness to work with price points
Summary

- Growth has been significant. Consumer interest certainly there.
- Closely following “All Natural” model.
- Major bottlenecks
  - Cost of Production
  - Forage Finishing
  - Load Lots
  - Economies of Scale
- Need more producers to transition.
- Need better carcass utilization and marketing “understanding” in distribution and retail sectors.
  - Reasonable cost to consumer
Presentation Outline

- Technical Orientation
- NGFN Overview
- The Pasture Project
- The Grass-Based Beef Market

Case Study

Greg Nowicki
President, Board of Directors
Wisconsin Grass-fed Beef Cooperative

- Questions and Answers
- Upcoming Opportunities, etc.
Wisconsin Grass-fed Beef Cooperative (WGBC)
History & Philosophy

- WI Dept of Ag sponsors listening sessions with grass fed producers

- Producers believe they can get a premium for their products......

  ....But lacked the time, knowledge and skills needed to move beyond direct marketing

- Idea of a growers cooperative is formed

- A two-year “do it yourself” development process leads to the Wisconsin Grass Fed Beef Cooperative and the Wisconsin Meadows™ brand in 2009
History & Philosophy

• Producers interviewed prospective buyers to get a market-based perception of meat quality

• This lead to establishing humane production protocol-standard to ensure consistency

• Adopted a “born and raised” in Wisconsin standard for all cattle marketed under the brand

• Believes there’s a competitive difference in brand that promotes local beef from local farm families
Key Transition Steps

• Promoting grass finishing as less expensive, more environmentally friendly and improving animal health

• Doing the formation work themselves versus hiring it out

• Developing protocol forced producer commitment
Current Situation

• About (80) member families
• Members are not required to sell animals to the co-op
• Members responsible for getting animals to harvest
• Use a local USDA inspected processor
• Sell to wholesale-retail markets in (3) states
• Use part-time sales and production managers to keep costs down
Current Challenges

• Shortage of grass finished cattle market wide

• Cold storage space is limited

• Self-funding through cash flows

• Aggregating “load lots” of cattle

• Pricing and Payment Policy

• Keeping pace with demand
Key Successes

• Differentiate Brand
• Low Cost Structure
• Little Debt
• Competitive Sales Price
• Professional Managers
• Engaged Board of Directors
• Profitable
Pilot Project

• Recommend changes to current business leading to replicable model that could be implemented throughout multiple regions

• Focus on increasing the grass-fed beef supply for WGBC and other grass-fed programs and increase the number of cooperatives producing grass-fed beef.

• Develop skill set needed for growth of professional forage finishers to address bottleneck in grass-fed sector
Questions and Answers

Warren King
WellSpring, LTD
w.king@wellspringltd.com

Allen Williams
Livestock Management Consultants, LLC
allen@truegrassfedbeef.com

Greg Nowicki
Wisconsin Grass-fed Beef Cooperative
eatgrasfed@gmail.com
Presentation Outline

- Technical Orientation
- NGFN Overview
- Walk to Manage, Plan to Succeed
- Questions and Answers
- Upcoming Opportunities, etc.
Webinars are Archived

TOPICS!

http://ngfn.org/webinars
NGFN Webinars

- 3rd Thursday of each month
  3:30p EST (12:30p PST)

http://ngfn.org/webinars

- July 19 – Grass-Based Dairy: Healthy Animals, Planet and Business Bottom Line
Three Notable Websites

- **www.FoodHub.info**
  - Food Hub “hub”
  - Research, case studies, list and map of hubs across the country, much more.

- **www.HUFED.org**
  - About the initiative
  - Grantee profiles
  - Library of many of the best food access resources

- **www.FoodshedGuide.org**
  - Case study-based business and financial training
  - Includes a “One Page Business Plan” and a “One Page Financial Plan”
Get Connected, Stay Connected

http://ngfn.org/database

New! National Good Food Network Database

Search for: Wallace Center

YouTube

contact@ngfn.org

twitter @ngfn

Wallace Center at Winrock International