

Evaluating Direct-to-Consumer Marketing Opportunities for Local Beef in Missouri

Many consumers seek high-quality beef from local sources. Beef producers considering finishing cattle may choose to sell cattle into the commodity beef market or market live animals or packaged beef directly to consumers. In many cases, a combination of commercial and direct marketing may be the best way for producers to capture more value from their beef and sell the volume necessary for profitability. This publication helps producers evaluate direct-to-consumer beef marketing opportunities.

Selling beef direct-to-consumer

Cattle producers have marketing options when selling directly to consumers. Producers can sell whole live animals, shares of live animals (halves and quarters), or packaged beef by the cut. Often, the producer's marketing decision depends on the type of processing facilities nearby and the amount of time the producer is willing to spend marketing cattle or beef.

Selling beef by the cut requires producers to work with processing facilities under federal or state inspection. Beef producers must sell their cattle by live weight as a whole, half or quarter share if customers want to process the beef under a custom exemption to inspection. Processors operating under a custom exemption may only be hired by the animal's owner at the time of slaughter. Custom exempt processing costs are paid by the buyer or the person taking possession of the beef.

Find more information on Missouri meat processing inspection and exemptions in MU Extension publication MX3001, [5 Steps to Buying Meat Direct From the Farm](#) (extension.missouri.edu/publications/mx3001).

Beef cattle producers often find it difficult to market a whole beef as many consumers are not able to store or consume such a large quantity of beef (Figure 1). To

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make local beef more feasible, cattle producers can offer shares of an animal to customers and reduce individual financial and storage obligations. Selling half- or quarter-shares of the animal does increase marketing costs, but it also increases the price farms can charge for the beef due to added convenience for consumers.



Figure 1. Selling half and quarter shares provides convenience to consumers due to large carcass sizes.

Some consumers prefer specific beef cuts rather than bulk orders. Producers can cater to these consumers by having finished cattle slaughtered and processed under state or federal meat inspection. Then, beef cuts can be priced and sold by the pound. Producers who elect to sell beef by the cut do incur costs for processing, cold storage and marketing. However, producers can charge premium prices for this added value. Producers with high-quality beef may elect to have their beef quality-graded during processing and charge premiums that reflect the quality of their beef.

Measuring the value of a beef carcass

The most common value measures of a beef carcass are yield grade and quality grade. Yield grades represent how much meat a carcass will yield. Yield grade can be calculated as the ratio of carcass weight to the weight of edible meat harvested. Yield grade is scored on a scale of 1 through 5, with “1” having the highest ratio of boneless closely trimmed cuts to carcass weight. The calculation for yield grade is based on the hot carcass weight of the beef; the fat thickness at the 12th rib; percent of kidney, pelvic, and heart fat (KPH); and the ribeye area. An over-finished animal of a given frame size will typically have a less desirable (higher number) yield grade, while a lean, heavily muscled animal of the same size will have a more desirable (close to “1”) yield grade.

Quality grade measures the tenderness, juiciness and flavorfulness of the beef. Marbling and maturity (animal age) are the two factors used to determine beef quality grades. Because quality grade is visually assessed, some margin of error is possible. One of eight quality grades is assigned on a “Canner” to “Prime” scale with “Prime” being the best grade. There are two components of quality grade: marbling (more intramuscular fat is better) and age (less than 30 months is ideal). USDA Agriculture Marketing Service provides [quality and yield grade standards](http://www.ams.usda.gov/grades-standards/carcass-beef-grades-and-standards) (www.ams.usda.gov/grades-standards/carcass-beef-grades-and-standards) for the beef industry.

Impact of yield and quality grades

When selling beef direct-to-consumer, a better yield grade benefits the producer in terms of the total pounds available for sale. A better quality grade indicates a premium product that commands a higher price. It is important to note that yield grade and quality grade change opposite from each other when it comes to producing finished animals for direct-to-consumer sale. Less finished carcasses usually have a better yield grade, since they have little exterior fat, but a poorer quality grade because of less marbling accumulated. Likewise, a more finished carcass will generally have more marbling and a higher quality grade, but a relatively worse yield grade due to the extra fat deposited on the outside of the carcass and around the internal cavities. The balance between yield and quality chosen is dependent on your goals as a marketer of your product and the image of your brand.

Costs of marketing direct-to-consumer beef sold live

The costs of marketing beef direct-to-consumer are dependent on the costs to produce the finished beef animal, marketing costs, operating interest, and

ownership costs. The companion to this guide, the [On-Farm Beef Finishing Planning Budget](http://www.missouri.edu/publications/g684) (extension .missouri.edu/publications/g684) provides greater detail about the production costs for a finished beef animal. Marketing costs, operating interest and ownership costs vary with the method of sale. Table 1 shows the estimated costs of finishing a beef animal sold direct-to-consumer as halves, by live weight. The value of the carcass used in this example assumes a yield grade of “3” and a “Choice” quality grade, common for a grain finished animal at 18 months old.

Table 1. Costs of finishing a beef animal sold in halves.

| | Cost per animal sold | Cost per live pound |
|-----------------------------|----------------------|---------------------|
| Operating costs | | |
| Production of finished beef | 2,329.27 | 1.69 |
| Marketing | 227.33 | 0.17 |
| Miscellaneous | 11.00 | 0.01 |
| Operating interest | 146.32 | 0.11 |
| Total operating costs | 2,713.93 | 1.97 |
| Total ownership costs | 199.59 | 0.14 |
| Total costs | 2,913.52 | 2.11 |

Costs of marketing beef as individual retail cuts

When evaluating the opportunity to sell beef by the cut direct-to-consumers, producers incur costs to slaughter, process, package and store packaged beef. These costs add to the costs of finishing and marketing live animals.

Selling packaged beef cuts requires the finished beef animal to be slaughtered and processed under inspection, adding costs an estimated \$800 to \$900 per animal depending on animal weight and processing specifications. When pricing beef as retail cuts, be sure to account for processing and storage costs. Table 2 shows an example of the cost of raising and marketing a finished beef animal as retail cuts. The value of the carcass used in this example assumes a yield grade of “3” and a “Choice” quality grade, common for a grain finished animal at 18 months old.

Custom packaging and labeling will help establish a brand for your beef. Branding increases consumer recognition and the likelihood of repeat customers. Costs of custom packaging or labeling vary depending on the type and level of detail included. Examples include labeled butcher paper, stickers for vacuum packaging or logo-printed tape.

Because producers retain processed beef until it is sold, they must purchase and operate cold storage

equipment. Producers may use a walk-in cooler or freezer, but it may be more economical to buy large chest-type freezers if fewer than five beefs must be stored at a time.

Table 2. Costs of finishing a beef animal sold as retail cuts.

| | Cost per animal sold | Cost per live pound |
|-----------------------------|----------------------|---------------------|
| Operating costs | | |
| Production of finished beef | 2,329.27 | 1.70 |
| Processing cost | 806.91 | 0.58 |
| Marketing | 878.00 | 0.64 |
| Beef storage | 45.00 | 0.03 |
| Custom packaging | 75.00 | 0.05 |
| Miscellaneous | 11.00 | 0.01 |
| Operating interest | 236.22 | 0.17 |
| Total operating costs | 4,381.40 | 3.17 |
| Total ownership costs | 308.68 | 0.22 |
| Total costs | 4,690.08 | 3.40 |

Selling retail cuts also requires more marketing time. Consider the marketing time: delivering to and picking up from the processor, interacting with customers and potential customers, organizing and storing meat, removing from storage and distributing product. Additionally, the producer must also manage inventory and pricing in such a way that both fast- and slow-moving cuts are sold to clear storage space to make room for the next animal processed. All of these business practices require time and financial commitment; consider them before beginning operations.

Returns to on-farm finishing

Prices are highly variable for locally finished cattle sold direct-to-consumer. Prices depend on local supply and demand as well as the availability of local meat

processors. Factors dictating supply and demand include proximity to population centers, competition for local beef, tastes and preferences of local consumers and how beef animals are sold (whole, halves, quarters or retail cuts). Table 3 shows the estimated price received per pound for fall-born cattle by each method of sale assuming a 1,300-pound animal.

Table 3. Estimated gross returns selling finished beef animals (excluding cull sales).

| | Dollars per pound of live weight | Gross income (dollars) |
|--------------|----------------------------------|------------------------|
| Live sale | 1.87 | 2,580.60 |
| Whole beef | 2.12 | 2,925.60 |
| Half beef | 2.25 | 3,105.00 |
| Quarter beef | 2.40 | 3,312.00 |
| Retail cuts | 3.52 | 4,864.40 |

The Missouri Beef On-Farm-Finishing Guide and spreadsheets evaluate costs and returns for live commercial animal sales, freezer beef, or beef sold by the retail cut. Use the links below to download these resources.

- [Missouri Beef On-Farm Finishing Budget for Fall Calving \(XLSX\)](https://extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/On-farm-finishing-budget-fall-calves.xlsx) (extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/On-farm-finishing-budget-fall-calves.xlsx)
- [Missouri Beef On-Farm-Finishing Budget for Spring Calving \(XLSX\)](https://extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/On-farm-finishing-budget-spring-calves.xlsx) (extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/On-farm-finishing-budget-spring-calves.xlsx)
- [On-Farm Beef Finishing Planning Budget](https://extension.missouri.edu/publications/g684) (extension.missouri.edu/publications/g684)