

January 2008



Profitable Agriculture Alternatives Newsletter

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Editor

Opportunities and challenges for direct marketed grass-fed beef

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Local beef sold direct to customers is not new – “freezer beef” has been around for a long time. However, there is a growing market for forage-fed and naturally produced beef in North Carolina and other southern states. North Carolina has a rapidly growing and affluent urban population. This population is increasingly concerned about food production methods and health issues, and is willing to pay a premium for products that address these concerns. It is important to note that there are multiple market segments, including beef that meets the new and stricter USDA grass (forage) fed guidelines, pasture raised beef that has been fed limited amounts of grain, and beef from animals not treated with antibiotics or hormones. Some products are labeled as “natural,” but producers and consumers should note that USDA is also developing new guidelines for labeling beef as “natural.” In addition, an increasing number of consumers wish to support local farmers and are willing to pay a premium. Discussions with individuals and food companies reveal an unmet demand for locally produced beef, although the overall size of this market and product specifications have not been fully defined. There are a number of different market channels for getting products to consumers, including on-farm sales, farmers markets, the internet, and stores that specialize in these types of products.

Many local farmers have the ability to produce a variety of forages in all seasons of the year, but there are challenges to producing a quality product and doing it consistently. This is particularly true for producers who plan to produce beef that meets the new USDA grass (forage) fed labeling regulations, which require 99% of the diet to be as forages. There is considerable production, marketing and financial risk associated with these specialty beef products. Nevertheless, some farmers are beginning to combine this forage availability with this emerging market opportunity.

Because these are specialty products, each producer faces a unique situation. Therefore, interested producers should first do some market research in order to define the number and location of their target customers, their product needs, amounts purchased, willingness to pay, and the source and nature of the competition for these potential sales. A second step is to develop a realistic production and marketing plan. This plan includes finding a processor and identifying customers for all the meat on the carcass, not just the choice parts. The third step is to “run the numbers” to determine if the plan is profitable and capable of meeting the producer’s financial goals.

Information on the new “Grass (Forage) fed” and “Naturally Raised” Marketing Claim Standards can be found on line at <http://www.ams.usda.gov/lsg/>. Forage production and beef enterprise budgets are available on line at http://www.ag-econ.ncsu.edu/extension/Ag_budgets.html. Spreadsheets to assist producers with 1) developing cutout values and cost and net revenue projections from the slaughter and processing of finished cattle and 2) with developing retail prices are available on line at <http://www.ag-econ.ncsu.edu/faculty/benson/PubsBenson.htm>.

Additional resources on the production and marketing of locally raised beef can be found at: http://cals.ncsu.edu/value-added/beef_resources.html.

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How the Internet can Help (or Hurt) Your Direct Market Business

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The Internet has quickly become an important intermediary between the producer and the consumer. The overwhelming majority of sales still occur in a traditional face-to-face retail environment, but consumers use the Internet to research products so that they are making informed buying decisions.

Consumers typically go through a five-step process before purchasing a new product. The five steps are: (1) awareness of a need or want; (2) information gathering; (3) evaluating alternatives; (4) making the actual purchase; (5) reviewing the purchase decision after the fact (also known as “post-purchase behavior”).

For most buyers, the Internet has become the primary tool for gathering information. So, a good web site is one that helps buyers identify sellers who have product that they want. One of the challenges for a producer is whether or not prices should be posted on the web site. For many small growers, publishing prices is the same as selling trade secrets. So, what are some alternatives to use on a web site that can attract buyers and encourage them to do business with you?

First, keep your primary objective in mind: your web site should provide enough information so that a prospective customer is encouraged to contact you. Use photos of your farm, you and your family and/or staff, and close-ups of your products to promote an image of quality and to convey your expertise and professionalism. Let the pictures tell your story (each one is worth 1,000 words!), and support your photos with your narrative descriptions.

Second, create a compelling reason for people to call you or visit you at your tailgate market. In marketing language, this reason is known as the “unique selling proposition” – the one benefit or advantage that you offer over your competition that can attract customers. Since you will not be competing on price, your unique selling proposition (USP) is very important. Possible USPs are: customer relationship development; one-of-a-kind crops or value-added products; organic certification; location. Notice that none of these potential USPs is an especially sophisticated tool (with the possible exception of the organic certification process). Many producers overlook the small stuff, and yet this is often where the difference lies between a customer being gained and one being lost. Another important distinction is that USPs can be promoted strongly on a web site without the sense that you, the producer, are revealing information about your business that might create an advantage for your competitors.

Third, remember that new customers want a way to validate their decision to buy from you, and returning customers want to feel that they are making the right decision to continue doing business with you. Keep your web site updated with new information (recipes, links to related web sites, news about your farm). Updating a web site does two important things: (1) it keeps the material fresh and encourages return visits and (2) it conveys an image of business success and growth. People naturally gravitate toward others whom they perceive to be successful. That’s why fresh web content is important.

Finally, get linked. There are opportunities with NC Department of Agriculture & Consumer Services that allow you to create a no-cost web site, or link your own web site to the NC General Store. Check with your growers’ association or local Chamber of Commerce to see if you are eligible to have your web site listed in their directory. The more accessible you are, the stronger the chances that your site will get hits, and you’ll gain (and keep) customers.

For more information, check out:

http://www.inc.com/guides/biz_online/20664.html Inc. Magazine’s guide to web content design. Contains links to other sites related to web content development.

<http://ncagr.com/ncproducts/CultivateStart.asp> - Web site provided by NCDA&CS for web page design for producers

www.cals.ncsu.edu/value-added/toolkit.html - Includes tool kit topics on e-commerce