

Comparing Different Ways to Produce and Market Your Beef

Rose Wilson & Sarah Flack



- What is the cost of production in Vermont?
- Why do we need to know what the break even price is for each farm?
- How can we lower the cost to raise a pound of beef?
- What else can we do?

Current Benchmarks for Beef in Vermont & New Hampshire

Grass Fed Beef	Average	High	Low
Variable Expenses per Carcass Processed	\$ 2,159	\$ 3,140	\$ 977
Ideal Hanging Weight	720 lbs		
Ideal Volume Retail Cuts: 60% Hanging Weight	432 lbs		
Vermont Average Hanging Weight	500 lbs	500 lbs	500 lbs
Vermont Average Cost of Production Per LB Hanging Weight	\$4.32	\$6.28	\$1.95
VT Average Retail Cut assuming 60% Hanging Weight	300 lbs	300 lbs	300 lbs
Vermont Average Cost of Production Per LB Retail Cut	\$7.20	\$10.47	\$3.26

Current Price Points for Beef in Vermont & New Hampshire

Local Pricing Dec 2013-April 2016				
Beef		Max	Min	Average
Direct to Consumer	Mixed Cuts	\$ 11.63	\$ 6.00	\$ 8.27
Direct to Retailer	Mixed Cuts	\$ 9.00	\$ 3.50	\$ 6.12
Direct to Consumer	Hanging Weight	\$ 7.00	\$ 4.25	\$ 5.29
Wholesale	Hanging Weight	\$ 3.40	\$ 1.90	\$ 2.42
Veal		Max	Min	Average
Direct to Consumer	Mixed Cuts	\$ 9.00	\$ 9.00	\$ 9.00
Direct to Retailer	Mixed Cuts	\$ 6.95	\$ 6.95	\$ 6.95
Wholesale	Hanging Weight	\$ 2.75	\$ 2.45	\$ 2.60

The only average market opportunity for our average producer in Vermont is selling direct. Our most efficient producers can support Wholesale pricing but profit could be marginal: at \$1.90/# price point, the gross margin is \$0.05/# hanging weight, which yields \$25/carcass for overhead and profit.

Current Benchmarks For Pork in Vermont & New Hampshire

Pastured Pork	Average	High	Low
Variable Expenses per Carcass Processed	\$ 847	\$ 2,305	\$ 398
Ideal Live Weight	250 lbs		
Ideal Hanging Weight 72%	180 lbs		
Ideal Volume Retail Cuts 80%	144 lbs		
Vermont Average Hanging Weight	189 lbs	189 lbs	189 lbs
Vermont Cost of Production Per LB Hanging Weight	\$4.48	\$12.20	\$2.10
Vermont Average Volume Retail Cuts	128 lbs	128 lbs	128 lbs
Vermont Cost of Production Per LB Retail Cut	\$6.62	\$18	\$3.11

Current Price Points for Pork in Vermont & New Hampshire

Local Pricing Dec 2013-April 2016				
Pork		Max	Min	Average
Direct to Consumer	Mixed Cuts	\$ 12.00	\$ 5.13	\$ 7.94
Direct to Retailer	Mixed Cuts	\$ 9.00	\$ 3.50	\$ 5.67
Direct to Consumer	Hanging Weight	\$ 5.50	\$ 3.40	\$ 4.28
Direct to Retailer	Hanging Weight	\$ 2.80	\$ 2.05	\$ 2.44
Wholesale	Hanging Weight	\$ 2.30	\$ 2.00	\$ 2.15

The average producer in Vermont can make a profit selling direct to consumer. At average pricing a producer could generate a gross profit of \$1.32/# retail cut, yielding \$169/carcass for overhead and profit. However: Even our most efficient producers can not support the minimal Wholesale Price being offered in Vermont. Our most efficient producers would still be losing \$0.05/# hanging weight, for a net loss of -\$9.45/carcass not including overhead expenses.

So what can we do?

- Create awareness about the true cost of production in Vermont and cultivate a desire to support a Fair Price for Vermont Farmers from consumers and wholesale buyers
- Identify and implement opportunities to improve our cost of production
- Or face the fact that it may not be possible to create a profitable livestock farming industry in Vermont

- Feeder cost?

- Feed cost



Have the correct stocking rate for the farm

Overstocking the farm causes overgrazing damage which makes the grazing season shorter which makes you buy more expensive forage which makes you overgraze more which makes your pasture even worse which makes the grazing season even shorter so you have to buy more expensive forage...



Production efficiencies – how to reduce cost of production

- Feed costs

- Grain
- Stored forages
- Pasture
- Minerals



- How to maximize pasture DMI
- How to extend the grazing season
- How to increase forage DMI to eliminate/reduce grain
- How to provide minerals
- How many are you overwintering?

Strategies for maximizing forage DMI

- Forage availability
- Forage Digestibility
- Pasture height and density

Intake is determined by:

**Grazing time per day x
biting rate x
amount of intake per bite**



Strategies to extend the grazing season

- Good grazing practices with long, variable recoveries after every grazing, leaving adequate residue, short periods of occupation.
- Soil health
- Species selection
- The right stocking rate for the farm!
- Avoiding over grazing damage!



Production efficiencies – how to reduce costs of production

- Raising your own?
- Buy in feeders?



Production efficiencies – how to reduce costs of production

- Processing cost
 - Retail vs wholesale?
 - Processing or just sell feeders?



Start out by asking the right questions

- Make sure your business plan is based on a realistic stocking rate!
- How can I extend the grazing season?
- How many months to finished weight?
- What is the plan to monitor animal performance, forage quality, forage productivity, meat quality and financial success
- What is my current cost of production and what is the current pay price?
 - How will I monitor that?

Key points

- Have a business plan before you buy the first critter
- Know what it is costing you per pound to raise your beef
- Get the right genetics
- Know your market before you have a product to sell
- Maximize forage DMI
- Extend the grazing season
- Don't overstock the farm



Markets

- Talk with your buyers
- Explain your cost of production
- Know your cost of production, know your price points, and at least know your minimum price needed for break even.
- Cultivate support for locally grown meat.
 - What are the features and benefits? why is grass fed meat FROM VERMONT special and unique?
- If there is a reason that differentiates local grass fed from other grass fed, then explain the true cost of the production required for consumers who want to eat locally grown-grass fed. They won't have access to any of it if you go out of business. More often than not, they only need to be made aware of the situation and they will be willing to support you, or you will know, and at least be able to make an educated decision on whether to proceed or not.

Next Steps and Resources

- Beginner farming programs can help with planning, cash flow projections and enterprise analysis
- VT Farm & Forest Viability Program can help with business planning
- Technical assistance on lowering cost of production...
- Talk to Rose if you'd like to participate in research or outreach on VT beef cost of production.