MARTETING MEAT
direct to consumers

A WEBINAR SERIES FOR PRODUCERS INTERESTED IN MARKETING THEIR FARM-FRESH MEATS

Part 3- ...Getting Paid for your Product
Alex Tigue
Regional Extension Agent
Alabama Cooperative Extension System
Two Ways to sell local produced meat

Whole, Half, or Quarter Animal
- Can use Custom-Exempt Plant
- Simple
- Very little regulation

Individual Cuts
- Must use Inspected Plant
- Much more complicated
- Highly regulated
How much do I charge for my animal?
No set structure for pricing

Prices vary as many ways as there are producers

Can be based on several factors
- Actual Live Cattle futures and sales
- Local prices at the grocers
- Other Local Freezer Beef Prices
- Cost of production
- “Price Discovery”
Live Cattle Futures and Actual Sales

Market Reports

• Reports of actual sales

• Ag. Market Service of USDA
  ams.usda.gov

• Using 5 Area Average
Live Cattle Futures and Actual Sales

Futures

• Price of Live Cattle Contracts
• CME Group

• **Should** give you a good estimate for future sales
Live Cattle Futures and Actual Sales

These don’t represent your product

- Location

- Commodity vs. Direct Sales

- “Vertical Integration”
Cost of production

All pricing needs to include cost of production

• Make sure you are covering your costs

• Simple formula
  • Add total cost of production after weaning and value of the weaned calf
Cost of production

- 550 lbs. Steer $1.50/cwt $825.00
- 1000 lbs. Hay $60/ton $30.00
- 3000 lbs. Corn $3.50/bu. $187.50
- 1200 lbs. Feed $200/ton $120.00
- 60 lbs. of mineral $20/bag $24.00

TOTAL COST $1186.50
Cost of production

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Amount</th>
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<tbody>
<tr>
<td>TOTAL COST</td>
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<tr>
<td>Vet Costs</td>
<td>???</td>
</tr>
<tr>
<td>Equipment Costs</td>
<td>???</td>
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<tr>
<td>Labor</td>
<td>???</td>
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<tr>
<td>Profit</td>
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## Cost of production

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>TOTAL COST</td>
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<tr>
<td>Vet Costs</td>
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<td>Equipment Costs</td>
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<td>7.5 hrs/calf</td>
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<td>$7.50/hr</td>
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<tr>
<td>Profit</td>
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<tr>
<td><strong>TOTAL GROSS BREAKEVEN</strong></td>
<td><strong>$1892.75</strong></td>
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Cost of production

TOTAL GROSS BREAKEVEN $1892.75
Finished Weight of Steer 1250 lbs.
Breakeven $/CWT $151.42/CWT

$1.50-2.50/lb Live Weight seems typical

Can include processing costs, but doesn’t have to

If selling whole/half/quarter animals, it likely stops there
If you want to sell cuts....

Things are just beginning when the animal is harvested

- Cold Storage and Transport
  - Keep Product under 40 degrees
  - Protect integrity of packaging
  - Records

- Working with your retail outlet
  - Business License

- You are now a Retailer
  - Consumer Sales
  - Handling cash, checks, debit/credit cards
  - Record Keeping Critical
  - SALES TAX

How do you price individual cuts?
# Carcass Value Math

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<th></th>
<th>Weight</th>
<th>Price/#</th>
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<tbody>
<tr>
<td>Live Animal</td>
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<tr>
<td>Carcass Weight</td>
<td>775#</td>
<td>$3.23/#</td>
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<td>Processing Fees</td>
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<tr>
<td>Kill Fee</td>
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<td>Total Cost</td>
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<td>$3092.50</td>
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<tr>
<td>Total Meat (60%)</td>
<td>465#</td>
<td>$6.65/#</td>
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**How much are the steaks worth? Ground Beef? Roasts?**
Meat Value Math-Rules of Thumb

Steaks are most valuable
• Filet>Ribeye>Strip>Sirloin~Flatiron, etc.

Briskets and other specialty cuts are next
• Around the same value as Sirloin

Roasts slightly more expensive than ground beef
• ½ -1/3 price of Ribeye Steaks

Ground Beef is cheapest
• ~1/4 price of Filets and Ribeyes
Conclusions

Pricing and Marketing isn’t cheap

- Whole Animal Sales are fairly simple

- Selling cuts takes a lot of marketing and business savvy

- Make sure you are covering your cost of production and are profitable
Questions?

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