

MEAT MARKETING SERIES: SELLING THE WHOLE ANIMAL AND MANAGING VARIABILITY

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► INTRODUCTION

While consumers seem willing, actually building effective, profitable, and successful meat marketing programs from farm gate to dinner plate is much easier said than done.

Demand for local meat is well documented and has been growing exponentially for several years.¹ While consumers seem willing, actually building effective, profitable, and successful meat marketing programs from farm gate to dinner plate is much easier said than done. Many niche meat marketing companies have not been able to meet this challenge and have fallen into bankruptcy, or even worse, spent good years trying to push a square peg into a round hole.² The result hurts farmers, processors, and marketers. In order to find a solution, it is first important to: (1) investigate why building small³ meat programs is so difficult, (2) outline a general solution for the problems, and (3) show how we can realistically implement a solution. While the names and sales numbers included in this paper have been changed to protect privacy, the challenges and solutions highlighted below are those faced by real-life practitioners with time and money invested. Theory is only useful when combined with successful practice.

It is also important to point out that the entire discussion of carcass utilization and inventory management presupposes a profitable pricing structure and sufficient market demand, livestock supply, and processing capacity. As such, this paper is specially designed for meat marketers who have already solved some of these problems in their supply chain and are looking at expanding their program or simply making the existing system work better with lower stress, better return on investment, and better customer service. Marketing and distribution is a good way to start doing this.

¹ Low, S. A., Adalja, A., Beaulieu, E., Key, N., Martinez, S., Melton, A., ... Jablonski, B. B. R. (2015). *Trends in U.S. local and regional food systems: Report to Congress* (Administrative Publication No. 068). Retrieved from <https://naldc.nal.usda.gov/naldc/download.xhtml?id=60312&content=PDF>

² articles.extension.org/pages/17716/harvey-north-dakota-usda-slaughter-and-processing-plant

³ *Small* is defined as meat marketers with less than \$2.5 million in sales.

► THE CHALLENGE OF SERVING CUSTOMERS: RIGHT PRODUCT, RIGHT PLACE, RIGHT TIME

While genetic researchers may be hard at work breeding a pig that is all bacon or a beef that is all filet, the reality of meat marketing is that each time we harvest an animal, we get an assortment of primal cuts⁴ of varying quantity and value as well as trim from the cutting process (see Fig. 1).

Most meat marketers face two equally important, yet competing needs when they get into marketing meat from whole carcasses. First, most customers don't order a whole animal; they prefer to order individual primal cuts, sometimes from multiple animals. Secondly, in order to be profitable, the marketers need to effectively market the whole carcass. **Unfortunately, demand for individual primal cuts does not usually match up with the yield from a typical carcass** (See Fig. 2). For

example, many institutions and businesses want pork loin, but rarely the hams. As such, meat marketers are constantly under pressure to harvest animals in order to have sufficient pork loin to serve their customers, but they have trouble moving the rest of the carcass. Those less-marketable pieces remain in a freezer full of hope.⁵ The result is slow-moving, perishable inventory that ties up cash, hurts profitability, and constrains business growth. **In short, effective meat marketing programs supply their customers with the right product at the right time while selling (and getting paid for) the entire carcass.** As many aspiring meat marketers learn, this is easy to say, but much harder to do.

4 A *primal cut* is standardized cut of meat with corresponding IMP numbers. Most meat carcasses are broken down into these standard pieces.

5 All of the cuts of meat for which you do not have market demand and that you put in your freezer with the hope of someday selling them.

FIG. 1: Pork Carcass Breakdown for Food Service

WHOLE HOG: LIVE WEIGHT APPROX. 285 LBS

CARCASS PRIMALS: TOTAL YIELD APPROX. 200 LBS (70%)

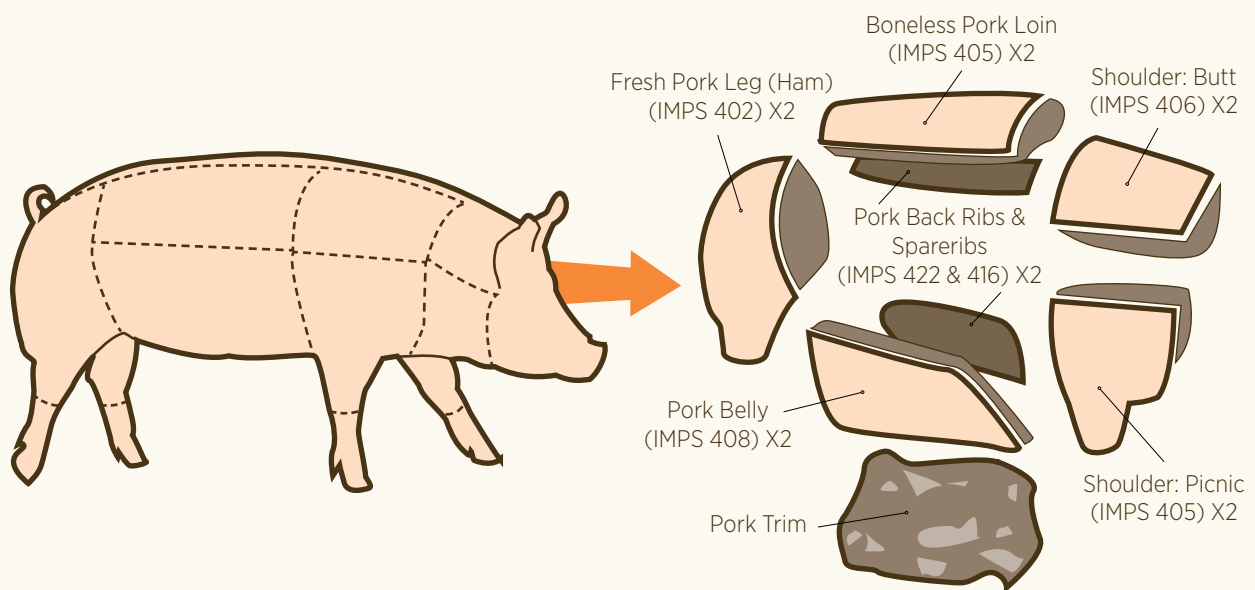






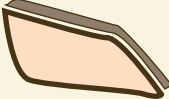



FIG. 2: Carcass Yield vs. Actual Demand

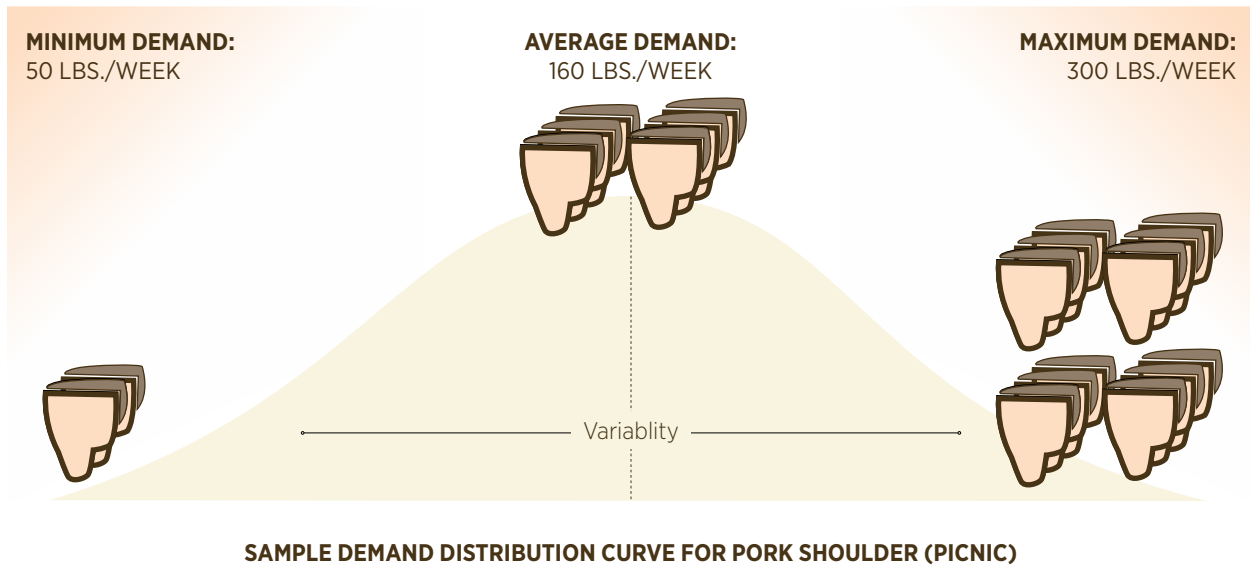
PORK PRIMALS	NAME & IMPS NUMBER	CARCASS YIELD (per half carcass)	ACTUAL DEMAND FOR PRIMAL CUTS (per week)	DEMAND TO YIELD RATIO (approximate)
	Boneless Pork Loin (IMPS 405)	16 lbs.	300 lbs.	3:2
	Pork Back Ribs (IMPS 422)	3 lbs.	100 lbs. (combined ribs)	1:1
	Fresh Pork Leg (Ham) (IMPS 402)	28 lbs.	50 lbs. (smoked, cured ham)	1:7
	Shoulder: Butt (IMPS 406)	12 lbs.	200 lbs.	1:1
	Shoulder: Picnic (IMPS 405)	12 lbs.	160 lbs.	1:1
	Pork Spareribs (IMPS 416)	8 lbs.	100 lbs. (combined ribs)	1:1
	Pork Belly (IMPS 408)	12 lbs.	300 lbs. (smoked, cured bacon)	3:1
	Pork Trim	8 lbs.	0 lbs.	

THE CHALLENGE OF VARIABILITY MANAGEMENT: AN EXTRA LAYER OF COMPLEXITY

Compounding the problem highlighted above is variability in demand. Marketers never know precisely what the customer is going to need in any given time period. While a marketer might anticipate sales of a certain amount of boneless pork loin, the actual amount purchased can vary greatly. For example, the **average** demand for pork loin might be 300 lbs. per week, but a marketer could experience an **actual** demand of 50 lbs. or

400 lbs. per week (see Fig. 3). This adds another layer of complexity that is difficult to manage. Marketers are expected not only to figure out how to move the whole carcass but also to do it without knowing exactly what customers will order. A bad guess at future customer demand will result in old perishable inventory, tied-up cash, and constrained business growth.

FIG. 3: Variability in Market Demand



➤ PRACTICAL SOLUTIONS TOWARD SUCCESS

Whole-Carcass Buying

The simplest solution is to push whole-carcass purchasing with buyers. Most institutions (such as hospitals and colleges) plan menus well in advance, and some have the staff and equipment needed to handle whole carcasses. For willing buyers, planning their menu around the whole carcass can be done relatively easily and cost-effectively (see Fig. 4).

In one example, institution buyers worked with the local meat distributor to set up pulled pork stations to move picnic and butt, use smoked hams with

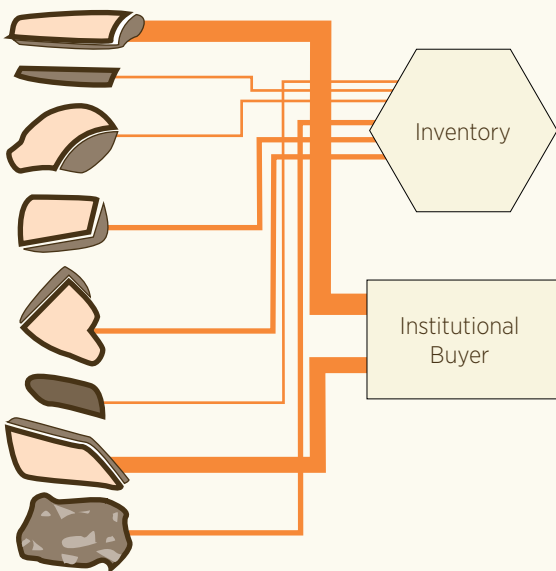
weekend brunch, stockpile spare ribs for a monthly rib night, and incorporated various sausages to use the trim. Each hog was marketed as a set of cuts, with some flexibility on which sausage came from the trim. Overall, the whole-hog purchasing program was a win-win. The distributor was able to sell the entire pork carcass profitably with minimal cash tied up in inventory, the processor could predictably and easily break down carcasses with steady year-round demand, and the institution was able to source local pork at a price that made sense for their bottom line.

FIG. 4: Two Marketing Scenarios

— lower demand ■ higher demand

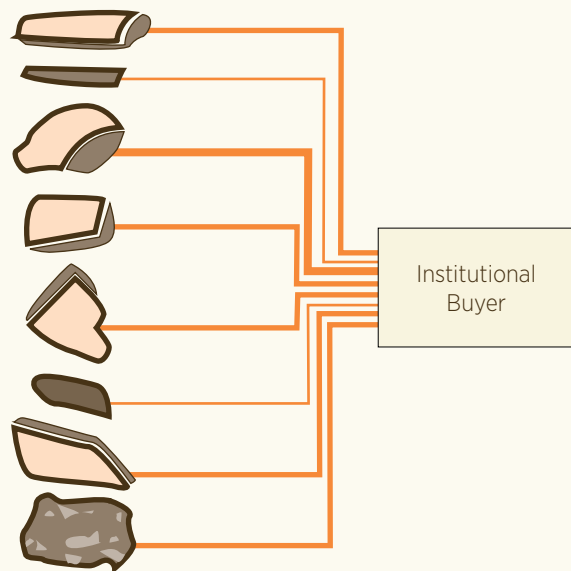
TYPICAL SCENARIO:

Selling high-demand primals quickly while building up a “freezer of hope”



IDEAL SCENARIO:

Balancing demand and variability so a whole carcass converges on one buyer



Ground or Emulsified Products: A Solution to Whole-Carcass Selling and Demand Variability

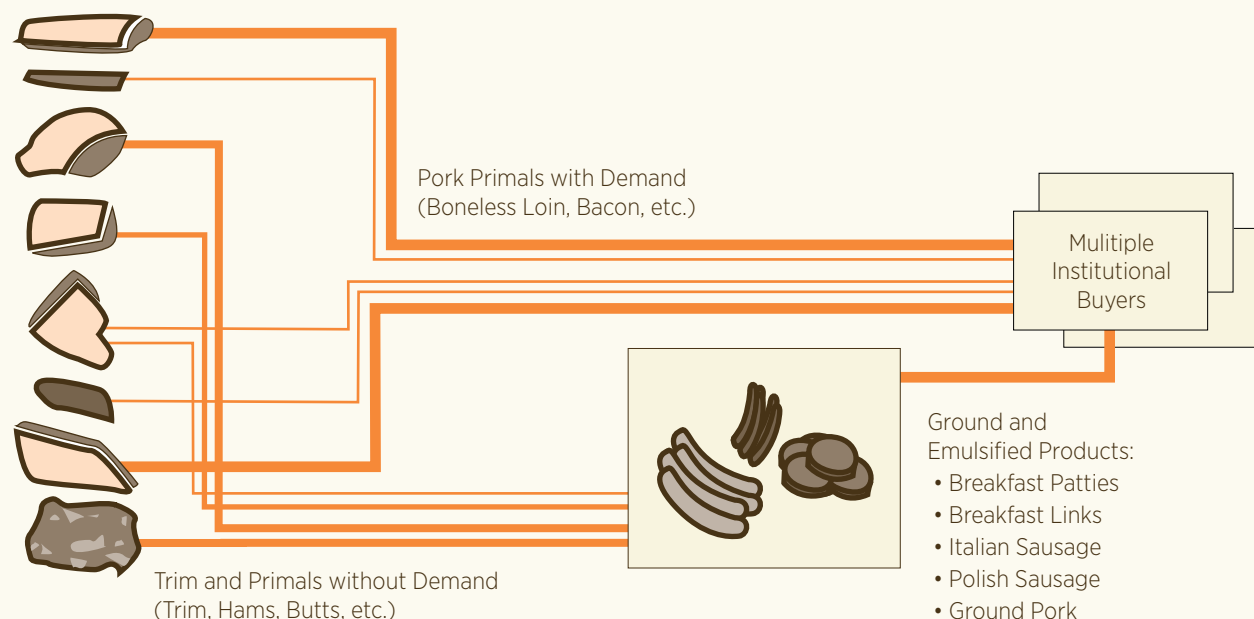
While whole-carcass marketing is the easiest way to move local meat, it can also be seen as difficult or problematic for many buyers. Whole-carcass marketing only tends to work with willing institutions. Often, these are only a small slice of the potential local meat market. Building a program requires that we satisfy the needs of institutions that aren't able to accommodate interruptions in supply or the potential inconvenience of whole-animal carcass utilization. As highlighted above, marketers are caught in a conflict between offering what customers want when they want it and selling the whole carcass rapidly. All of this needs to be done even as the demand for a particular cut can vary greatly week to week.

One way to help manage variability is to spend time and energy building markets that utilize ground or emulsified products. Generally speaking, most parts of a hog or beef can be made into various ground or emulsified sausage products. Building relatively high-volume markets for ground or emulsified products can help marketers manage variability through increased flexibility and options. As we increase the number of options we have for selling multiple primals, we reduce the overall variability of demand (see Fig. 5).

In another example, this concept is illustrated by the experiences of one local meat marketer who is starting a local hog program. While some of her customers are willing to purchase a whole animal, many are not. In her current customer base, the marketer has abundant demand for boneless pork loin and bacon but is struggling to sell the hams and pork shoulder. So, she works with her customers and a local meat plant to have several types of sausages and hot dogs that meet their needs and price point. With the ground product successfully marketed, she can harvest enough animals to fulfill her high demand for loins and bacon, and satisfy her customers without carrying too much inventory and creating a "freezer of hope." The results are higher sales and utilization of the whole carcass. Higher sales come from two avenues. First, offering a wider breadth of products increases sales through simply having more to sell. Second, taking slow-moving products and finding a ready market helps speed up the process between cash outlay and getting paid. Most marketers find that when more cash is available, they have the cash on hand to service more customers.⁶

⁶ McCann, N., & Lyons, S. (2015). *Managing cash flow for a low-capital food hub start-up*. Ames, IA: Iowa State University Extension. Retrieved from <https://store.extension.iastate.edu/Product/Iowa-Food-Hub-Managing-Cash-Flow-for-a-Low-Capital-Food-Hub-Start-up>

FIG. 5: Solution to Manage Variability in Demand



► PUTTING CARCASS MANAGEMENT INTO PRACTICE

After the hard work of building markets for our ground and emulsified product is done, inventory management becomes key. A key pre-requisite for making money marketing meat is having the right product available at the right time. We need to do this without carrying more inventory than we need, as inventory ties up cash and has the risk

of spoilage. We also need to do all this without knowing what the precise demand will be for each product. As such, managing inventory to maintain availability for customers is a key part of wholesale meat marketing success. (Please see our companion piece, *Meat Inventory Management*.)

► CONCLUSIONS

Theory is of little use to most meat marketers unless it can be employed as successful practice. With some skill and effort, the concepts outlined above can be applied in many scenarios to create viable whole-carcass sales programs—having the right product available in the right place at the right time without carrying excess inventory and without knowing exactly what demand will be. Some simple solutions to help us balance these needs and meet sales goals are as follows:

1. Encourage customers to purchase whole carcasses. This is the most obvious solution, but it is unlikely to account for more than a small segment of sales.
2. Work with food service directors to find menu items and meal plans that more closely match yields from whole carcasses, utilizing slow-moving hams and trim in addition to high-demand loins and bacon (or similar cuts of beef).
3. Develop reliable, high-volume markets for ground and emulsified products to help managed variability in demand for primals.
4. Avoid building a “freezer of hope” to meet demand for only one part of the carcass.

After the hard work of developing reliable customers and building markets for our ground and emulsified product is done, inventory management becomes key. As such, managing inventory to maintain availability for customers will lead to wholesale meat marketing success. We will cover this topic in depth through an addendum publication on inventory management for local meat marketers.