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## Sheep Home Study Course

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### Marketing Meat Animals Directly to Consumers

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Selling directly to the consumer may significantly increase profits and prices above those received in conventional markets. Small-scale operators and part-time producers, in particular, have the opportunity to market additional services or special aspects of their product and realize significant price premiums. Four types of activity are generally considered as direct marketing of livestock:

- Selling directly to a packer or buyer on a live or grade and yield basis. This is the textbook type of direct marketing.
- Setting up a slaughter facility and merchandising carcasses or retail cuts directly to the consumer.
- Selling the live animal to the consumer who has the responsibility of making slaughter arrangements.
- Selling all or part of the carcass to the consumer after slaughter by an established and inspected butcher shop. This option, often referred to as producing for the freezer trade, is the primary focus of this publication.



**One method of direct marketing is to sell meat by the half or quarter.**

#### Advantages of Direct Marketing

The following discussion covers some advantages of this practice in relation to other selling methods. Potential for increased costs and other considerations are discussed under other headings.

**These packages of ground beef are one portion of a beef carcass that was sold through direct marketing.**



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## Higher prices for small groups

By selling directly to the consumer, the producer sets the price and doesn't experience the price discrimination generally encountered when selling small groups of animals. In contrast, most packers/buyers want large enough groups of livestock to pay costs of buying and trucking the animals; they are unlikely to make a trip to the farm to offer a bid on three or four steers. Even in auction markets, small groups of livestock tend to bring lower prices.

## High prices for leaner and lighter weight animals

Small -scale producers can market animals to their own specifications without the large discounts experienced in markets involving packers/buyers. This may allow the producer to purchase and feed the smaller framed breeds. In conventional markets, for example, a steer weighing under 1,000 pounds may have been fed well and properly finished but bring as much as \$5 per hundredweight less than a similarly finished steer weighing 1,200 pounds. However, in many localities, families prefer to buy the leaner and lighter animal fed in their area.



**Many consumers are more satisfied with locally purchased meat.**

## More net profit

A combination of higher selling prices, no sales company or buyer commissions, and lower purchase prices can help improve profitability. Small-scale livestock producers often have distinct disadvantages in production costs. Their fixed costs generally are spread over fewer animals, and feed costs tend to be higher because current technology is not used to the extent that large producers use it. When selling directly to consumers, producers may set their selling price at a level that ensures profitability (if they know their production costs).

## Better cash flow

By setting their own price and standards for the number fed and sold, market weight, and amount of finish, producers may know the market price prior to selling and perhaps even prior to purchasing or producing the feeder animals Marketing can coincide with cash needs (such as taxes) or accommodate a year-around schedule without the seasonal price fluctuations normally experienced in other marketing situations.

## Identifying Your Market

Many areas of the Northeast have a very large population of consumers. You need to identify your potential customers and learn about their needs. Recent consumer surveys show some current consumer needs and concerns are:

- Flavor (palatability)
- Freshness (wholesomeness)
- Health enhancement (lower fat content)
- Variety and flexibility
- Convenience
- Ease of preparation
- Portion size



**Identify the market where you plan to sell your animals.**

## **Value**

Your initial customers will be people you know: friends, relatives, and business and social acquaintances. These people will help you decide if you are producing the right product for your market area. They will also help your business grow by spreading the word about your product.

## **Deciding What To Raise**

Once you have identified your market, it is much easier to decide what to produce. While the breed, finish, weight, or type of animal may vary with your personal preference, these factors influence other decisions.

## **Breed**

You may have already decided which breed you want to raise. Consumer needs related to palatability and composition are not so much related to breed as they are to management and nutrition. The primary consideration with respect to breed is the size of the animal and resulting carcass when finished and ready for market.

Size is a concern for two main reasons. The first is economics. Large meat purchases such as sides or quarters are major investments for most consumers. The beef animal that fits most consumer needs is no more than 1,100 pounds and preferably less than 1,000 pounds. Producing finished beef animals under 1,000 pounds may be difficult with the larger Continental breeds but easily attained with the small British breeds. You may wish to consider feeding heifers because they finish at a lighter weight than steers. Beef side weights should be no more than 300 pounds (most are sold under 250 pounds) and quarters no more than 150 pounds. Pork and lamb are often marketed at heavier than average weights. Consumers are not so concerned about the total cost of these as they are with beef. Producers often find consumers are satisfied with hogs as large as 250 pounds live (175 to 180 lb carcass) and with lambs up to 135 to 140 pounds live (75 lb carcass). The major complaint with heavier carcasses is that they often have more fat than do lighter carcasses. Extra fat is undesirable to the consumer from the health aspect as well as the economic aspect. The second consideration of carcass size is individual portion size. The major problem with heavy beef carcasses is the large size of the steaks. To make large steaks a desirable weight, they must be cut thinner which in turn makes them more difficult to cook without overcooking.



**Choose a breed to match the needs of your customers as well as your production goals.**

## **Sex**

Your operation may dictate which sex (or sexes) you should be feeding. But if you purchase animals to feed, consider the initial savings possible by purchasing heifers or bulls (or rams). With proper management and nutrition, there is no discernible difference in final palatability characteristics in the intact (uncastrated) males, except in boars. In addition, bulls (or rams) have a higher growth rate, less fat, and better feed efficiency than steers (or wethers). Whatever you produce, supply your consumers with consistent products; no one likes surprises!

## **Natural and organic**

Many consumers are concerned about the wholesomeness of the food supply and may believe that meat from animals fed antibiotics and growth stimulants is less wholesome to eat. You know this is not true, and that good conventional management practices call for castrating male animals, promoting growth with implants, and using feed additives to improve feed efficiency. But in some areas there is a demand and a ready market for a “natural” product. You may wish to eliminate the implants, antibiotics, and feed additives, and offer that type of product to your customers. Producing an “organic” animal increases production costs at least 10 to 20 percent. To produce a truly “chemical free” animal you must be concerned about all potential sources of contamination. These increased costs should be reflected in the selling price.

## **Choosing a Meat Processor**

Finding the right meat plant to process your meat is generally the most important key to your success. In effect, you form a partnership and place your trust and reputation in the hands of someone else. In turn, your customers put complete trust in both of you; first-time customers are buying sight-unseen. Here are some of the qualities to look for:

### **Reputation**

Your reputation is no better than the butcher who is processing your meat. The meat processor and staff you work with must be honest, dependable, and live up to their word.

### **Facilities**

Facilities should be clean and inspected. They should present the image you wish to project. No consumer wants to buy in a dirty or smelly place. Facilities also should be USDA Inspected as well as being clean inside and outside. Meat sold directly to the consumer must be slaughtered under federal (or state in those states that still have it) meat inspection. If you wish to retail the meat yourself through a store or farmers’ outlet, the retail facility must be inspected and approved by a state or local agency. The Pennsylvania Bureau of Food Safety inspects Pennsylvania retail establishments.

Facilities should be capable of aging the carcass for at least seven days to ensure maximum tenderness. Freezers should be capable of rapidly freezing large quantities of meat. Insist that your customers take their meat after it is frozen. Home freezers are not designed to freeze large amounts of meat, and slow freezing can adversely affect the final quality of the meat. Meat can spoil in a home freezer (if large amounts are piled in the freezer, the meat freezes on the outside and insulates packages of meat on the inside, allowing spoilage in the center). Packaging should be done with airtight, high-quality freezer paper that is permanently marked with the name of the cut, date packaged, and customer name. Current technology should be used if possible. New developments such as electrical stimulation ensure maximum tenderness.

### **Location**

The processing plant should be convenient to both your farm and your customers. Transportation costs have increased over the past several years and can affect your profit if you have to haul animals long distances to processing facilities.

## **Relationships**

You should have a good working relationship with the meat processor. Make sure you both understand what is expected of each other, and that you are both giving the same information to the customer. Decide who should obtain the cutting instructions. Become familiar with the order forms and cutting methods of the meat processor. The people at the meat plant should be polite, personable, and willing to answer consumer questions.

Decide who is going to explain to consumers that they are paying for hanging carcass weight, and that a normal cutting loss is at least 25 to 30 percent of the hanging weight, depending on the degree of finish and the methods of cutting and trimming.

## **Deciding What Products to Sell**

Consider the following factors when making a decision on what you will sell and how you will sell to your customer.

### **Sides (half carcasses)**

This is the most common and generally the most appealing way for you to sell beef (whole carcasses in the case of pork or lamb). However, a decreasing number of consumers can buy a side or even a quarter of beef at one time. Increasingly, families lack freezer storage for large quantities of frozen meat. Current trends indicate that people are eating out more often and preparing fewer meals at home, especially meals such as roasts that require long preparation times. Offering lighter weight animals and wrapping cuts in smaller packages sometimes overcome these objections.

### **Quarters**

Rather than selling individual front and hind quarters, some producers use a practice known as splitting sides. It involves an even division of steaks and roasts from the entire side. The conventional method of selling fronts and hinds often results in an excess of front quarters no matter how inexpensively they are sold; grinding excess front quarters for hamburger can be a better alternative.



**In order to avoid an excess of front quarters, some producers will sell a mixed quarter with cuts from both the front and hind**

### **Bundles**

In some areas, consumers find bundles are a good alternative to sides. They get a variety of cuts of uniform quality at an attractive price and have a smaller total cash outlay. Types of bundles could include (a) an economy pack that has most of its cuts from the chuck and round to provide more roasts than steaks or (b) a deluxe bundle that has most of its cuts from the loin and rib to provide more steaks than roasts. You and your meat cutter may need to experiment a while to find the feasibility, sizes, types and prices of bundles that generate uniform sales volume for all parts of the carcass.

## **Specialty products**

A profitable direct marketing option could be the processing and selling of a specialty product. This might be nothing more than selling cull cows as hamburger or selling cull sows as whole hog sausage, or developing a special recipe for lamb bologna using cull ewes. This approach might be taken in conjunction with a more conventional approach of selling sides and quarters.

Specialty products sometimes sell well at farmers' markets, especially after a reputation has been developed. In some cases, the entire production has been successfully marketed with this approach.

## **Pricing**

A variety of pricing methods and factors should be considered. Be aware of current local prices of other producers and retailers, but remember that you are selling more than just a commodity. Other services and aspects of your product might include:

## **Processing costs**

Charges currently vary from 40 cents to 50 cents per pound of carcass weight for cutting, wrapping, and freezing of beef and \$50 to \$60 each for lambs. Additional charges are sometimes added for making patties, sausage, smoking, or rendering lard. Not included in processing charges is the slaughtering fee that ranges from \$25 to \$30 per head, with the processor often keeping the hide. You and your processor decide whether these charges are included in your price.

## **Quality**

Many factors influence the concept of quality. They could include increased freshness or increased tenderness or decreased fattiness. These qualities may be related to special practices used during aging and processing of the carcass, or because of particular genetics programs, or a freedom from antibiotics and feed additives.

## **Consumer information**

You might provide advice on new uses for common cuts, improved cooking methods, new recipes, or information on cutting procedures that better fit the needs of a particular household.

## **Delivery**

The convenience of having purchases delivered is very important to some consumers. You should consider adding delivery and other convenience costs into your pricing system.

## **Services**

You might offer other services such as public speaking for community organizations. This is a good way to promote your product and inform potential customers of the positive aspects of eating red meat.

## Integrity and dependability

Many people are willing to pay slightly more for products they know and trust. You may want to have them present when their meat is being cut and wrapped. Additionally, you might provide a list of all packages and contents in their order.

## Comparison prices

You may wish to compare your prices and local retail prices. Tables 1, 2, and 3 have been provided for that purpose. You must remember these tables contain only averages; your values may be higher or lower than these because of the type of animal and cutting services involved. They will, however, give you a place to start and allow you to give an honest answer when asked for a comparison. The following example uses local prices and the calculated average retail price of beef obtained from the table below..

Item	Example	Your situation
Average retail price (calculated) *	\$ 3.35	
Cost of Slaughtering (per head)	\$ 30.00	
Cost of Slaughtering per lb. (30/600 lb)	\$ .05	
Cost of processing	\$ .45	
Break-even prices (\$3.35-.50)	\$ 2.90	

Calculated from reports produced by USDA's Economic Research Service in cooperation with the Livestock Marketing Information Center: October 2006 - March 2007.

Using the above example, if you charged your customer \$2.90 per pound of carcass weight (plus processing costs), the consumer would be getting meat for a price equal to that available in the local retail store (not considering higher quality meat or services provided by you). On the other hand, you may wish to compare your alternative market prices in order to calculate what your break-even price would be.

Item	Example	Your situation
Live weight	1, 000 lb	
Live value/cwt	\$ 95.00	
Carcass value/cwt (at 60%) \$95.00/.60	\$ 158.33	
Advantage of selling direct (\$290-158.33) x 6 cwt	\$ 790.02	

You must then decide if this is enough of a premium to justify the extra time and effort involved in the freezer beef, pork, or lamb business. Consider other costs such as trucking for both the animals and meat. These costs are reduced by minimizing the trucking and carefully timing your deliveries.

## **Financing**

Because a quarter or side of beef represents a sizable investment for most families, you may be required to wait for your money. Perhaps you want to avoid payment delays. Producers in some areas have been very innovative in respect to financing. One producer, for example, advertised for custom-feeding of freezer beef and encouraged owners to come to the farm once a month to view their steers. Owners began paying as soon as the feeder steer was purchased and continued monthly payments until the steer attained finish weight; at that time the steer and the processing charges were totally paid. Other producers have asked for a portion (up to one-third) of the total cost a month in advance, another portion when the meat is picked up, and the remainder a month later.

It is difficult to collect for a product that has been consumed. If you can't collect for your product, it doesn't matter what the potential profit might be. Some finance companies are willing to finance meat sales. When selecting one, you should consider whether the company upholds the image you are trying to maintain.

You will need to develop a system that works for you. Try to find what works for others, adapt it to your situation, and improve on it.

## **Customers**

Remember that customers make a business. A good philosophy is that the customer is always right. You should establish a policy for dealing with customer complaints. You will certainly have some. When they arise, you must listen to them carefully. It is generally a better policy to replace the meat than to refund the money. Dealing with customers directly takes a great deal of time and patience. Many of them know little about meat. Try to deal as fairly as possible and always give the customer the benefit of the doubt. You may find marketing directly to the consumer is a rewarding and profitable method of merchandising our livestock.

**Table 1. Worksheet for estimating the retail value of a beef side (300 lb).**

<b>Retail cut</b>	<b>Pounds/side</b>	<b>Price/lb</b>	<b>Total \$</b>
<b>Round</b>			
Round steak	20.4		
Tip roast (or steak)	8.5		
Rump roast (or steak)	6.4		
Stew and ground beef	12.2		
Fat and bone	20.8		
<b>Loin</b>			
Porterhouse and T-Bone	16.0		
Sirloin steaks	20.0		
Stew and ground beef	2.4		
Fat and bone	12.5		
<b>Flank, Kidney, Fat and Hanging Tender</b>			
Flank steak	1.7		
Ground beef	7.4		
Fat and suet	15.9		
<b>Rib</b>			
Rib steak	11.7		
Rib roast	6.0		
Short ribs	2.3		
Stew and ground beef	3.0		
Fat and bone	5.6		
<b>Chuck</b>			
Blade roast	20.3		
Arm pot roast	11.1		
Cross rib pot roast	10.2		
Stew and ground beef	15.9		
Fat and bone	15.1		

<b>Retail cut</b>	<b>Pounds/side</b>	<b>Price/lb</b>	<b>Total \$</b>
<b>Plate, Brisket, Shank</b>			
Short ribs	11.2		
Stew and ground beef	13.0		
Fat and bone	17.1		
<b>Other</b>			
Oxtail	1.6		
Liver	5.0		
Heart	2.0		
Tongue	1.0		
Retail Wt (excl fat & bone)	218.3		
		Total Retail Value	
		Retail Value/lb of Hanging Carcass (Total \$/300 lb)	

<b>Summary of cuts</b>	<b>Pounds</b>
Roasts	81.5
Steaks	59.8
Ground beef	33.7
Stew	20.2
Misc.	23.1
Source: American Meat Institute and USDA	

**Table 2. Worksheet for estimating the retail value of a lamb carcass (55 lb).**

<b>Retail cut</b>	<b>Pounds/side</b>	<b>Price/lb</b>	<b>Total \$</b>
Leg	13.2		
Loin chops	4.4		
Rack (rib)	3.9		
Shoulder	11.0		
Ground lamb	9.4		
Fat and bone	11.9		
Shrink	1.1		
<b>Retail Wt</b> (excl fat & bone)	41.9		
		Total Retail Value	
		Retail Value/lb of Hanging Carcass (Total \$/55 lb)	

<b>Summary of cuts</b>	<b>Pounds</b>
Roasts	24.2
Chops	8.3
Ground lamb	9.4

**Table 3. Worksheet for estimating the retail value of a pork carcass (165 lb).**

<b>Retail cut</b>	<b>Pounds/side</b>	<b>Price/lb</b>	<b>Total \$</b>
<b>Ham</b>			
Cured hams (2)	29.7		
<b>Loin</b>			
Blade roast	8.0		
Center chops	17.3		
Sirloin roast	5.6		
<b>Side</b>			
Cured bacons (2)	18.6		
Spareribs	6.4		
<b>Shoulder</b>			
Blade roast	7.3		
Blade steaks	4.2		
Arm roast	7.7		
<b>Various</b>			
Trimming for sausage	20.8		
<b>Misc.</b>			
Neck bones, feet	3.5		
Fat, skin, bone	32.7		
Shrink	3.5		
Retail Wt (excl fat & bone)	128.8		
		Total Retail Value	
		Retail Value/lb of Hanging Carcass (Total \$/165 lb)	

<b>Summary of cuts</b>	<b>Pounds</b>
Cured pork	48.3
Roasts	28.3
Chops and steaks	21.5
Misc.	9.9
Sausage	20.8
Source: American Meat Institute and USDA	

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