



Managing for Today's Cattle Market and Beyond

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Niche Marketing of Cattle/Beef

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Niche marketing has been defined as servicing a unique market, or a unique portion of a common market, that is not already served. Some niche markets begin with an individual filling a personal desire that is not being met with existing products. Other niche market opportunities are sparked by an observation that a specific consumer preference is not being met, and a business venture develops in response to that preference. Most niche markets are much smaller than commodity markets, although some have grown into multi-million dollar businesses.

Most livestock and meat products are marketed as commodities, based on a common set of standards or grades. When produced for a commodity market, the product only needs to meet the specifications of the commodity and the seller needs to be satisfied with the price. Production decisions such as breed and market weight are left to the producer.

When marketing niche products, customers expect the marketer to cater to their needs and be responsive to their desires. This means producing products with unique characteristics and using those characteristics as a basis for marketing. Under this form of "product" marketing, the goal is to create a product that is different from other items on the market. Differentiated products must still meet consumer expectations, but they operate in an environment that is less competitive due to the unique product characteristic(s).

All meat products can be placed on a continuum based on how they are marketed. At one end are generic commodities and at the other end are niche products. As products become more unique, they move across the continuum, away from the commodity end. There are two primary niche market categories that exist in the market place. First, there are large alliance niches that offer producers an opportunity to tap into a market that has already been discovered. Oregon Country Beef, Laura's Lean Beef, and Coleman Natural Beef fall into the large niche category. These two niches provide an option to producers, but the producer is only responsible for meeting the program specifications; marketing is left to the alliance. These programs are serving markets that are too large for an individual to serve.

The second category of niche market is the "micro-niche." A micro-niche can be served by an individual on his/her own. Producers reach micro-niches in many ways, including selling meat at farmers markets, specialty retail stores, and through freezer trades. Micro-niches tend to be located in specific geographic areas where the producer can reach a specialized market. There are advantages and disadvantages of both these options.

Why Consider Niche Marketing of Beef?

The key niche marketing successes tend to be captured by those who penetrate an untapped market.

Other reasons for niche marketing of beef are when producers want to add value to their cattle by changing the type of product. Alternative production systems may allow farmers to better utilize feed resources produced on the farm to lower the cost of production. Niche marketing can also add profits for farmers who have skills in marketing and customer service. They can carry out some of the functions normally performed by others. Too often, producers only consider the increased income from delivering niche beef products to the market. It is critical to consider additional costs of production such as finishing, advertising, arranging processing, and additional time commitment.

Current Niche Beef Markets

There are several markets for beef that might be considered niche markets; these would include lean, organic, and natural. Large packers and meat processors, operating as alliance-type niches, attempt to capture their share of these niche markets through production verification programs, value added processing, and nutrient labeling. Programs such as Certified Angus Beef are a hybrid form of this type of marketing. The products sold through these programs can receive a premium on the market and are less vulnerable to substitution because they have characteristics that make them appeal to a specific type of consumer.

Evidence of these marketing strategies can be seen in grocery stores. Pre-wrapped commodity beef is displayed in the meat case with little identification to show where it was produced or processed. The alliance niche products will be mixed together in another part of the meat case, promoted with color pictures featuring positive attributes of the product. Micro-niche products are seldom sold in regular grocery stores, but when they are, tend to be in a special section. Labels for micro-niche products are dominant, proudly indicating the origin of the product.

Key Categories of Niche Beef Markets

Lean Beef is one potential niche market. Much attention has been given to increasing demand for low fat foods in recent years. Due to health concerns, consumer preference is shifting away from meat products with a fat content. However, most of the beef sold into niche markets demanding lean beef

also tout other attributes as well. Those attributes might include the cattle being raised without artificial hormones or medicated feeds. The term “lean” carries a specific definition. Sellers using the term lean on their labels must verify fat content through laboratory tests. Laura’s Lean Beef is one of the more successful lean beef production and marketing programs. That firm focuses on providing lean beef products, but also offers attributes such as the ones described above. Interested persons may want to visit the company’s web site: www.laurasleanbeef.com/cattleprogram/

Consumer concern about additives in meat products has sparked a great deal of interest in ***Organic Beef***. In order to use the term “organic,” the program must be certified by an accredited state or private agency. The USDA issued their final ruling on organic meats in December of 2000, and is currently in transition to the new standards. The standards are described at the web site: www.ams.usda.gov/nop. Prior to December, meat could only be labeled as “Certified organic by” followed by the name of the certifying agency. Many of these programs are still in place. Farmers and handlers have 18 months to comply with the new national standards. Organic beef may have some of the following characteristics:

- The calf must be born of a certified organic cow.
- The calf must be fed organic feed from 30 days of age.
- 100% of the feed must be certified organic.
- The animal must be treated humanely at all stages.
- Antibiotics, wormers, growth promoters, or insecticides not on the program’s list of approved natural products are not permitted (animals requiring antibiotic treatment must be marketed through conventional channels).
- The animal must be clearly identified, so as to be traceable from birth to slaughter.

The same type of consumer that prefers organic meat products also brought about interest in natural beef products. ***Natural Beef*** may carry the “natural” label if it contains no artificial ingredients (color, flavor, preservatives, etc.) and is minimally processed based on current USDA policy. The label must explain the use of the term natural and production methods must be documented through a protocol approved through the USDA. The term natural commonly refers to beef that has been raised

Starting A Niche Market For Your Beef

mostly on pasture, without routine use of medication. The feed is not necessarily organic. Coleman Natural Meats in Colorado is the nation's largest producer of certified all-natural beef. The company contracts with 600 ranchers throughout the West to produce beef without hormones or antibiotics, and the vacuum packaged cuts are marketed across the country in many mainstream and natural food stores. For additional information see their web site at <http://www.colemannatural.com>

Freezer Beef may be natural, organic or lean, but in this case refers to conventionally produced beef that is fed locally and parceled out to consumers in small quantities such as sides or quarters. It may be sold live or hanging weight with the seller arranging for the processing of the animal. This beef is most commonly marketed directly to consumers. If the meat is to be sold as cuts to consumers, it must be processed at a Federally Inspected facility. In many states sellers may use "custom exempt facilities" provided the animal is sold before it is processed. This allows the customer to specify how the meat is to be processed.

Should You Participate In An Existing Niche Market?

Livestock producers have two very different options for niche marketing. The first is to participate in one of the niche marketing alliances that have been spoke of, such as Oregon Country Beef, Coleman Natural Beef or Laura's Lean Beef. By participating in an existing niche market, one can capitalize on the expertise of others who have risked market development, investment, processing arrangements. For producers who have cattle and a production system that fits with the requirements of these programs, it can be a low-risk means to reach a niche-market.

The other way that producers can participate in niche marketing is to develop a micro-niche of their own. This is more complicated but has the potential for greater rewards. The economic maxim of the relationship between risk and reward potential is very evident in niche marketing decisions. Of course the profitability of participating in another's niche market, may not be as great as developing a new one. However, the risk of business failure in attempting to develop a niche market is something to be seriously considered and evaluated.

Regardless of how you select which niche to explore, careful planning, budgeting and thought are necessary before venturing into a niche market. First, try to identify the specific niche market you want to serve and its characteristics. These might include the types of people, their location and income levels, pricing structure, costs of servicing the niche, expected obstacles and required licenses or fees.

Secondly, write down a set of goals for your family and occupation. Decide if becoming a niche marketer is compatible with those goals, and refer back to these goals as you move forward. Evaluate what resources you have available such as land, risk capital, labor, knowledge, special skills or talents. Determine what skills you do not have and decide how you will make up for them. If this self-assessment leads you to "no", then there is no need to explore the idea further.

Third, develop a clear business/marketing plan. This is a statement to your family, business partners, and others about projected performance. It is also a statement to your banker or other lender about credit worthiness. It should contain the following: 1) A general description of the proposed business, qualifications and your reasons for starting the business; 2) A market analysis – A statement describing the product, the estimated size of the market in terms of volume, the segment of the market and geographic area to be served. 3) A mission statement, objectives and strategies; 4) A marketing plan; 5) a description of the operational aspects such as location, facilities, materials and personnel needed. 6) The projected sales schedule and volume. 7) A financial plan, including the projected income statement, cash flows, balance sheets, loan repayment schedules, statement of owner equity and breakeven analysis; 8) A sensitivity or risk analysis that estimates the financial effects of different sales prices and quantities produced and sold.

It is usually better to start small and build on successes, than to go deeply into debt before you have developed a proven product and a market for that product. If at all possible have the beef animals processed at an existing plant, even if it requires greater transportation expense. The idea of building a dedicated processing facility should be evaluated as

an enterprise of its own. Small packing plants are very expensive to build due equipment costs, building requirements and the many regulations that must be met. Processing facilities require high volume to succeed and have little salvage value if the business should fail.

Summary

There are many successful niche markets for beef. Thorough planning and thought beforehand can help insure the success of a niche market venture. Networking with others who have succeeded in the type of business you are considering can be beneficial. Those niche marketers who operate some distance from you will be more likely to share their successes and failures. A complete and inclusive business plan is an essential first step. Tap into all available resources, especially your Extension Service and the Internet and make sure that you are honest with yourself.

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