



Livestock Marketing Channel Assessment

Matt LeRoux, Marketing Specialist

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**Cooperative
Extension**
Tompkins County



- Marketing Specialist with CCE, Tompkins County.
- Master's in Ag/Food Marketing.
- Worked for 5 years for the New England Livestock Alliance & Heritage Breeds Conservancy.
- Started 2 brands of Natural & Grass-fed beef.

Wholesale

Selling to a buyer who is not the end user.

Packer

Restaurant

Grocery/Retail

Distributor

Auction

Institution/Food Service

Direct

Selling directly to the end user.

Farmers' Market

Freezer Trade

CSA/Buying Club

Farm Stand/Store

Web

Market Channel Selection: Opportunity is knocking...

Meat CSA

Home-based Retail (farm store)

Freezer Trade

Farmers' Market

Restaurant

Grocery/Specialty Store

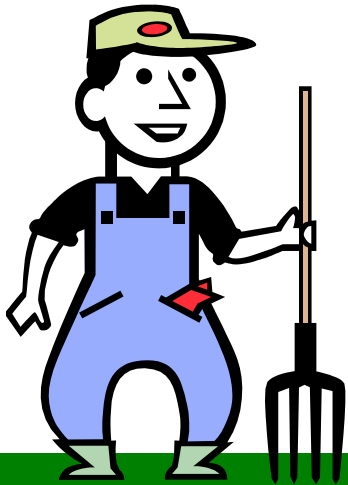
Regional brands

But, it costs \$300 per day to
sell there.

...and its only 1
hour per week...

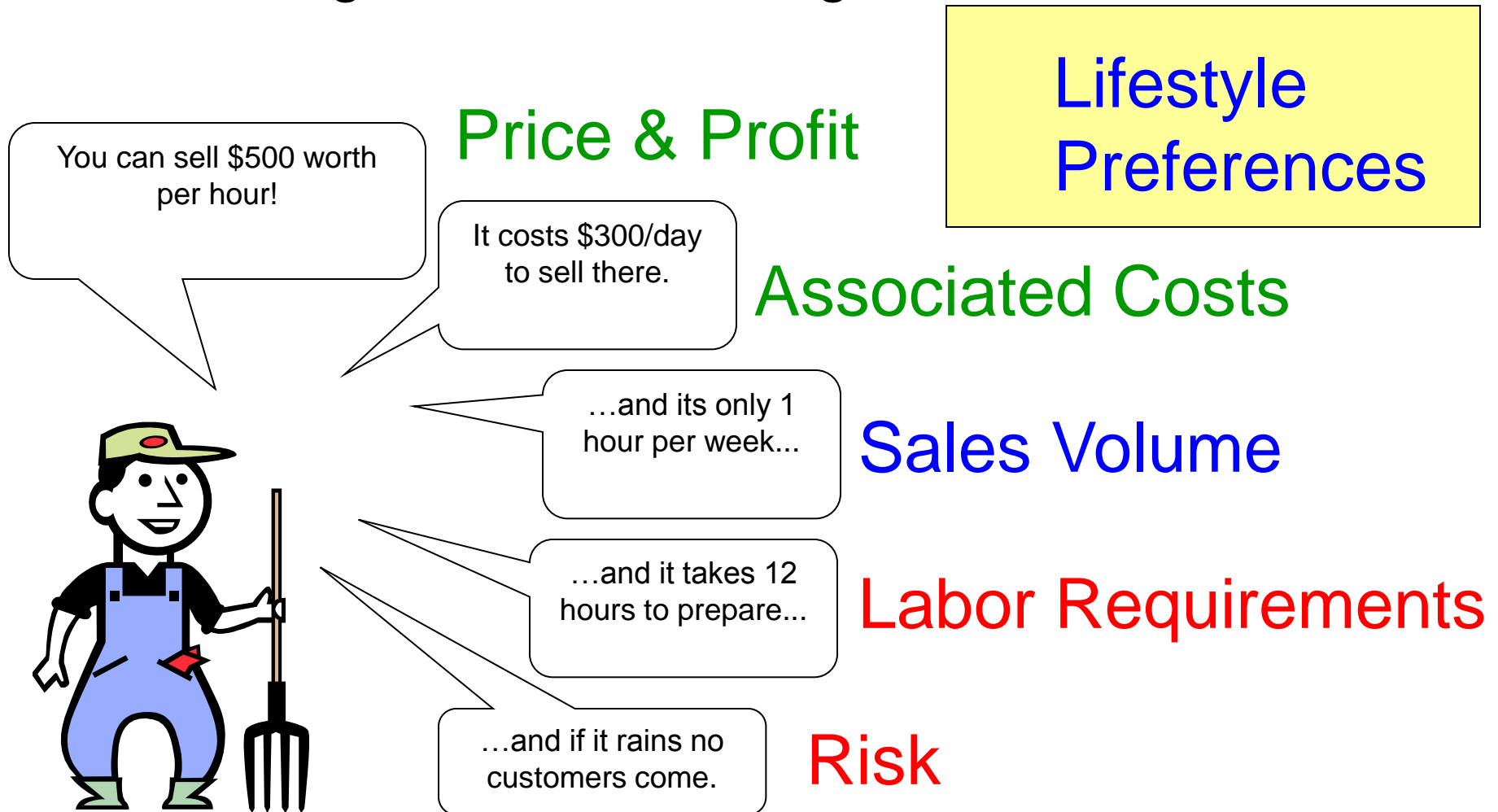
...and it takes 12
hours to prepare...

...and if it rains no
customers come.



How do you evaluate a market opportunity?

Six interacting factors impact the “performance” of a marketing channel including:



Labor logs

Farm name

Name:

Joe

Date:

8/5

Time spent (to nearest 15 min):

45

Vegetable(s):

kale & chard

Activity: Check all that apply

Create Pick list Harvest Cull/grade/sort/wash Bunch/Bag/Package/Pack orders/boxes

Load/unload truck

Travel to/from market/make deliveries

Bookkeeping/Bills

Sales calls

Sales Time/Set up/Take down

Other (please describe) _____

Product Destination: Check all that apply (when possible, please write name of biz)

CSA

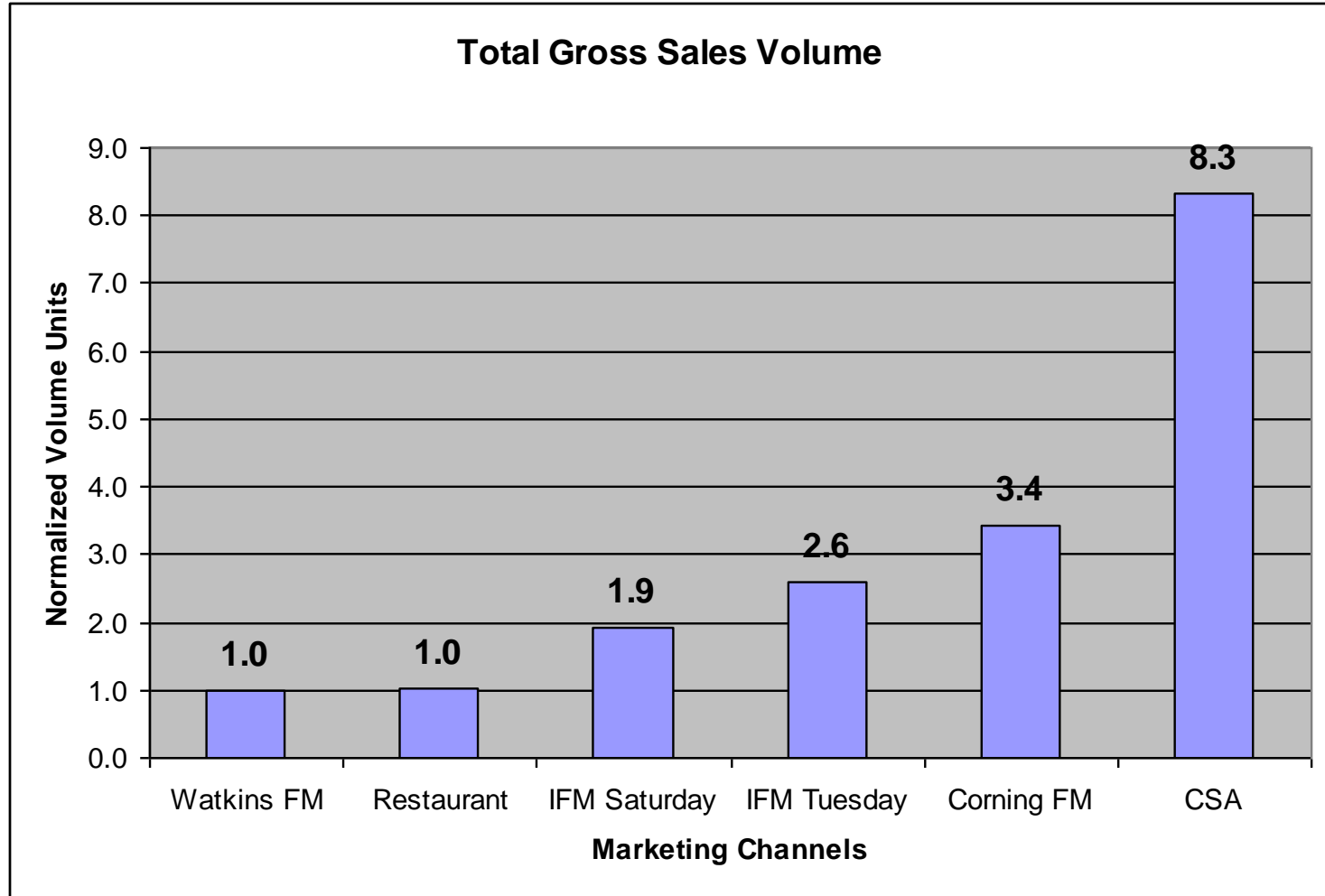
Restaurant _____

Ithaca Farmers' Market

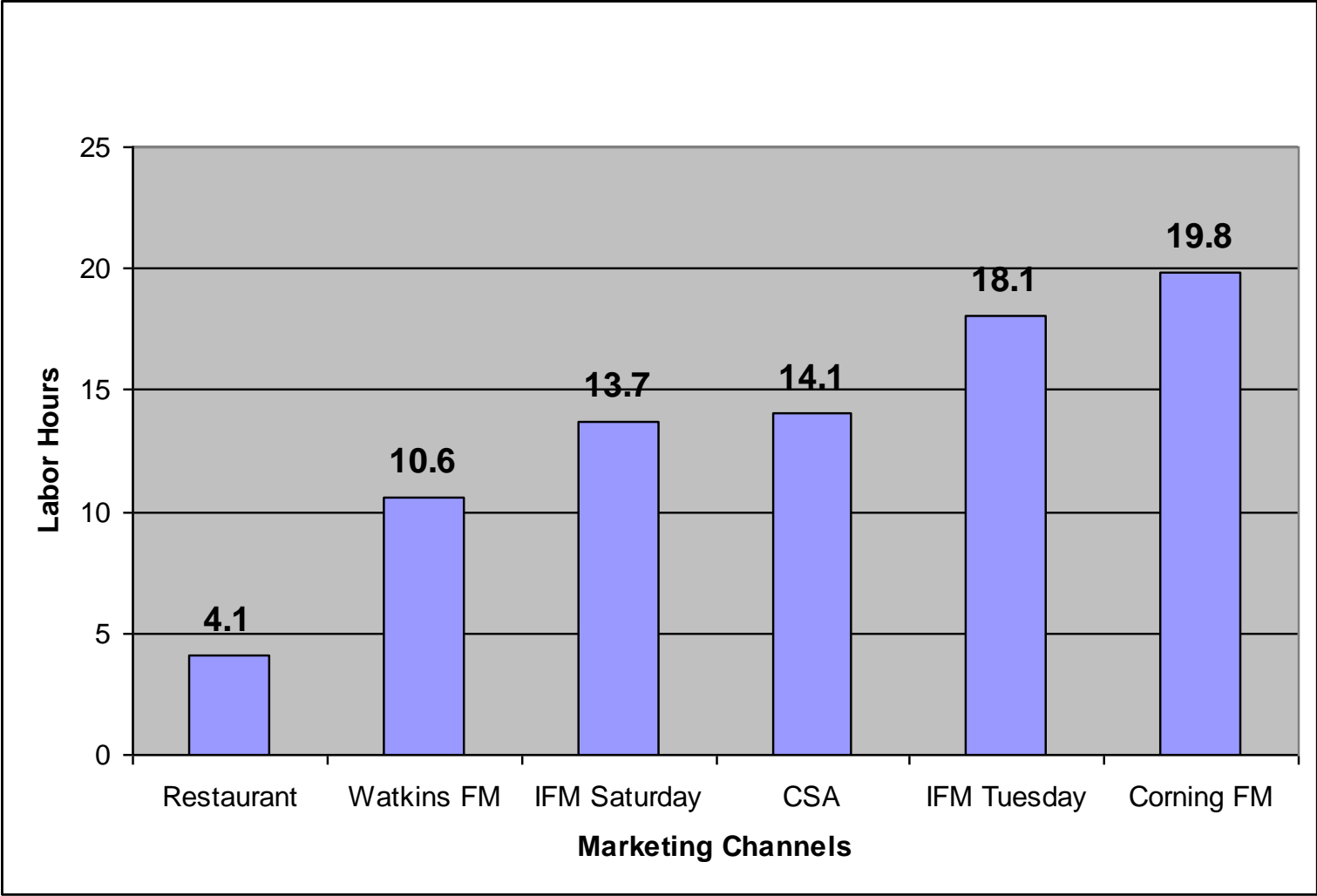
Other _____

Harvest → Process & Pack → Travel & Delivery → Sales time

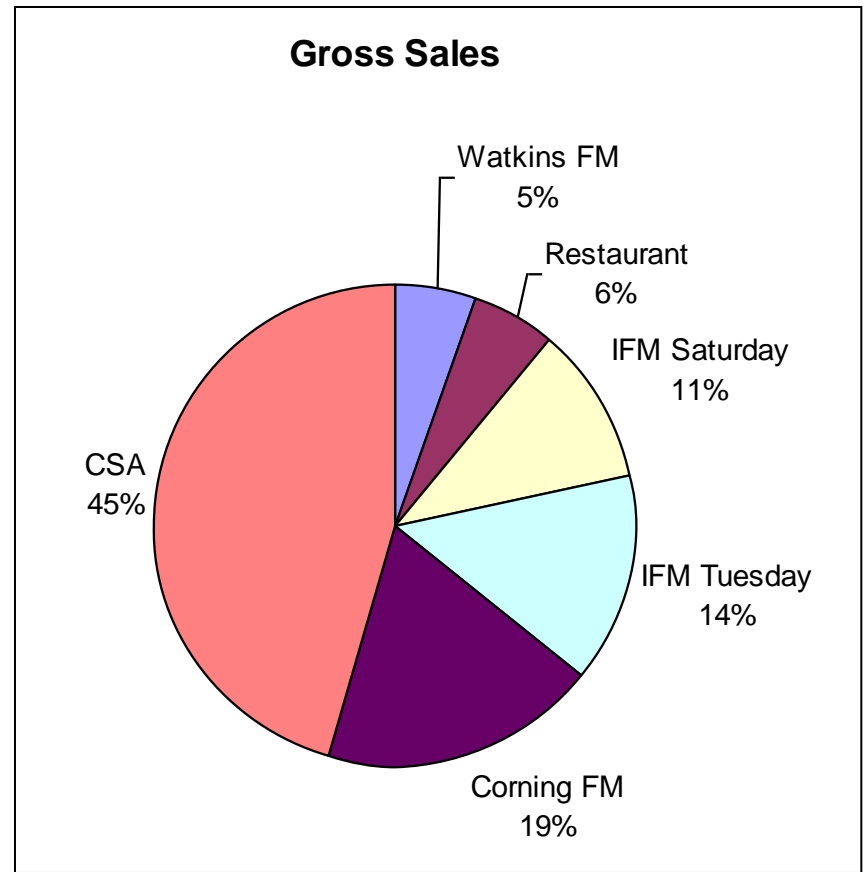
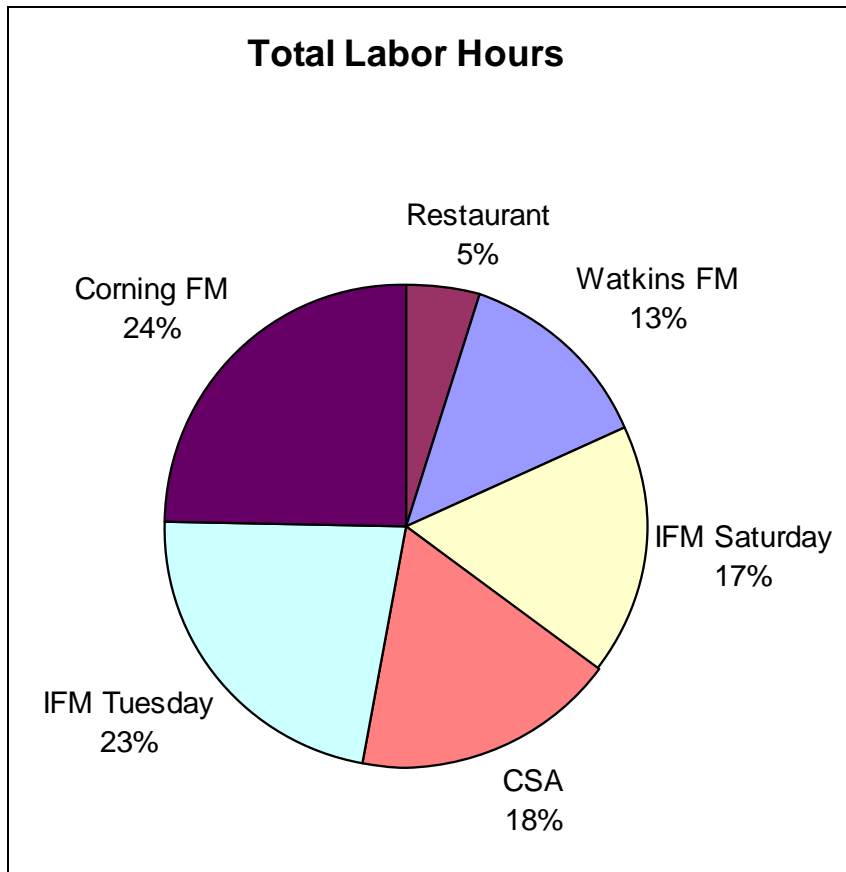
Sales Volume by Channel



Total Labor Hours



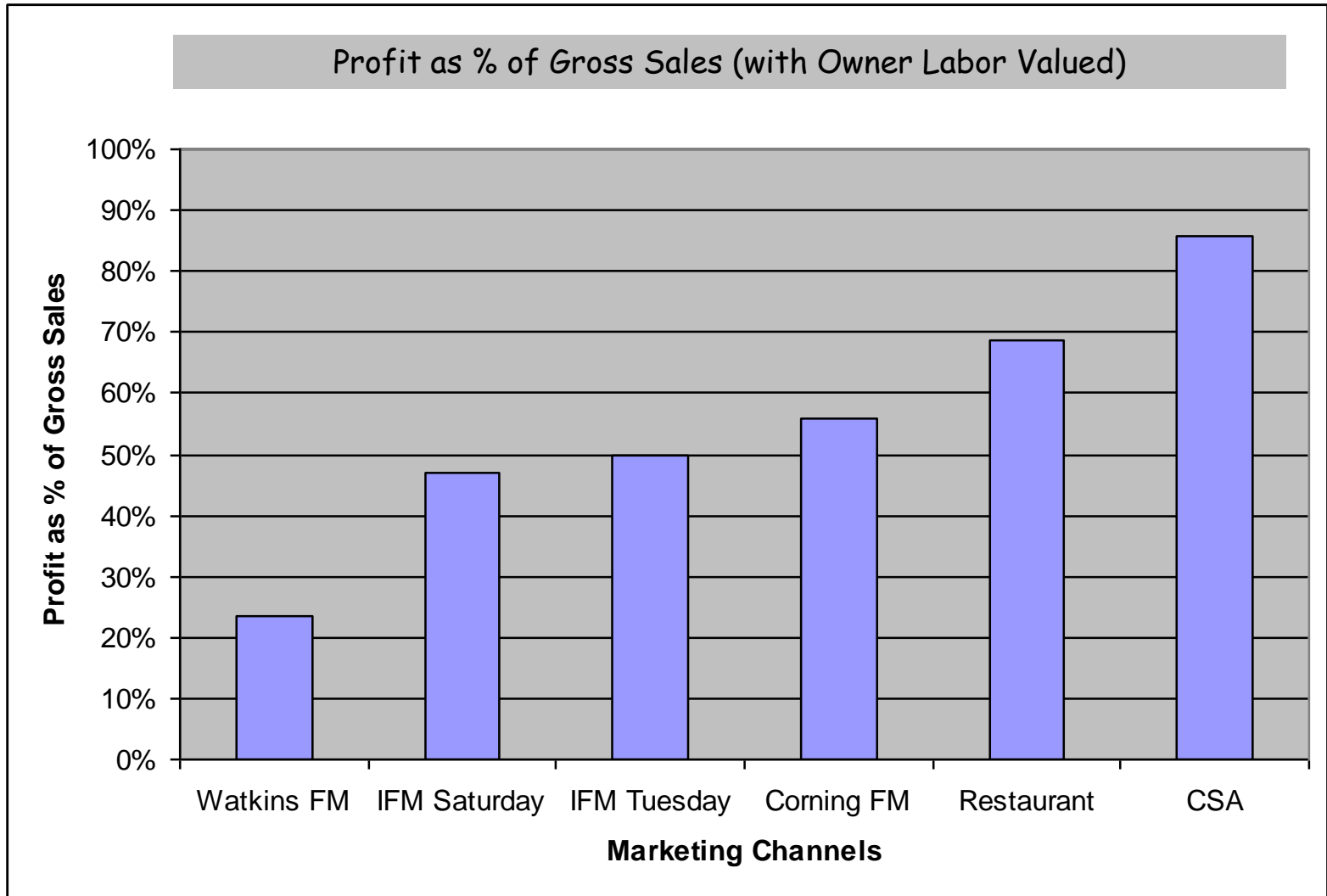
Simple Comparison of Labor & Sales



CSA: 18% of weekly labor, 45% of weekly gross sales.

Watkins Glen FM: 13% of weekly labor, 5% of weekly gross sales.

Marketing Profit



Risks & Preferences:

Labor requirements

Price risk

Customer turn-out

Competition

Buyer back-out

Processor is booked

People on the farm

Dark Cutter, other
discounts

**Ability to sell the
whole carcass**

Customer interaction

Time on the farm

Setting up displays



Rank & Compare Opportunities for Performance Factors

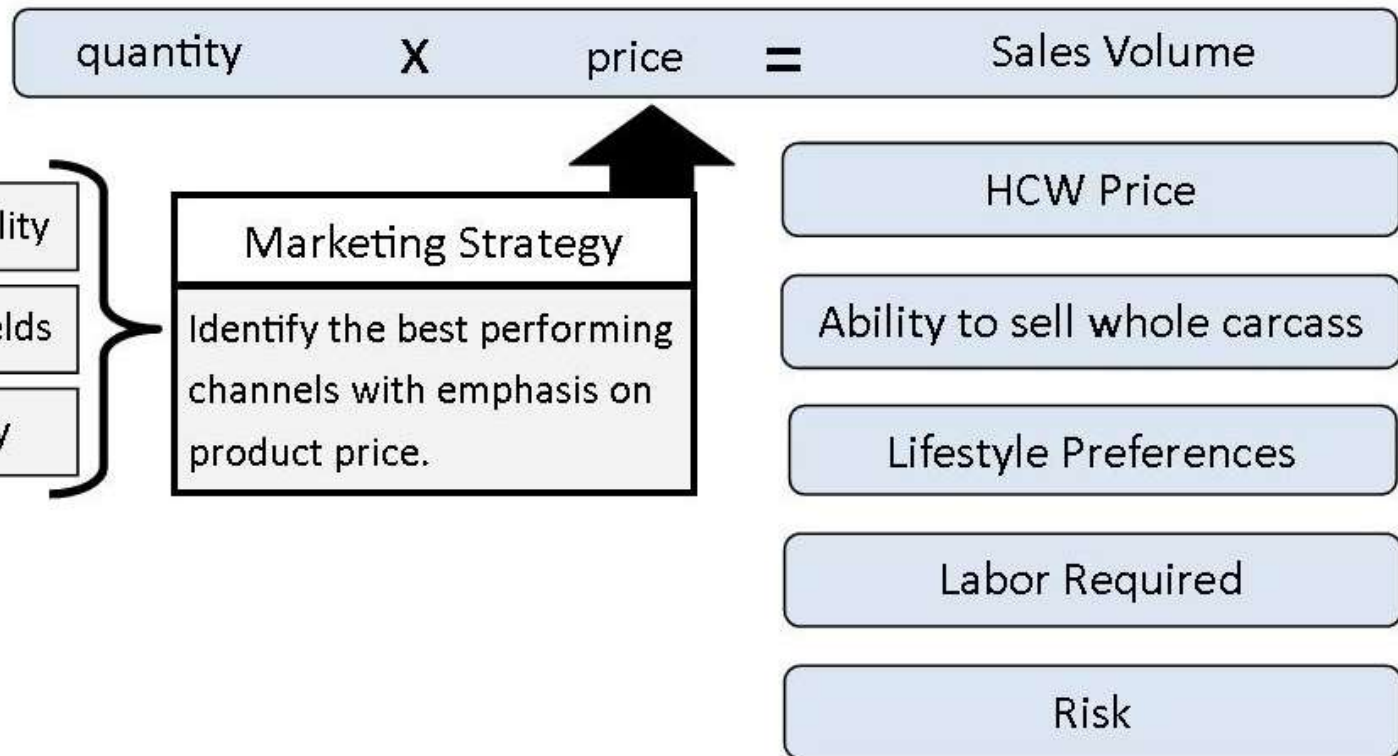
	Sales Volume	Labor Hours	Profit Margin	Financial Risk	Lifestyle	Final Scores	
	Rank	Rank	Rank	Rank	Rank	Unweighted	Weighted
IFM Tuesday	4.9	5.4	3.9	2.0	1.0	3.4	3.2
IFM Saturday	5.4	4.0	4.1	2.0	1.0	3.3	3.1
Corning FM	4.3	6.0	3.4	2.0	1.0	3.4	3.2
Watkins FM	6.0	3.1	6.0	2.0	1.0	3.6	3.5
CSA	1.0	4.2	1.0	1.0	1.0	1.6	1.6
Restaurant	6.0	1.0	2.4	2.0	1.0	2.5	2.0

Based on 5 factors and farmer chosen weights.

LMCAT Factors

- HCW Equivalent Price
- Whole carcass demand, % demanded
- Sales Volume
- Lifestyle Preferences (enjoyment, stress aversion)
- Labor Required
- Risk (financial risk, lost sales, etc...)

Factors for Marketing Channel Assessment:



Methodology

- Collect logs of all marketing labor (from trip to processor to final sale) for X # of head, for X # of weeks.
- Collect weights & prices of cuts for 1 typical head.
- Collect gross sales & mileage for the period.
- Collect ranking on lifestyle & risk.



Daily Labor, Sales & Mileage Log

Farm Name: _____
 Name: _____
 Date: _____

Please enter TIME in MINUTES as accurately as possible.

Product Destination/ Customer Name:	Mileage:	\$ in Sales/ Invoice #	Travel & Deliveries (to/from customers, markets, & slaughter- house)	Pack & Sort Orders: (take inventory, pack boxes, load vehicle)	Sales Time: (phone orders, bookkeeping, invoices, sales calls, store, FM)	Other:
Meatwood Restaurant	42 miles	\$215.50	25 min. +25 min. • +35	5 min. + 12 min.	5 min. +15 min. +15 min.	

Channel Specific Pricing Record

Circle species:     Farm name: _____

Please enter channel-specific price per pound

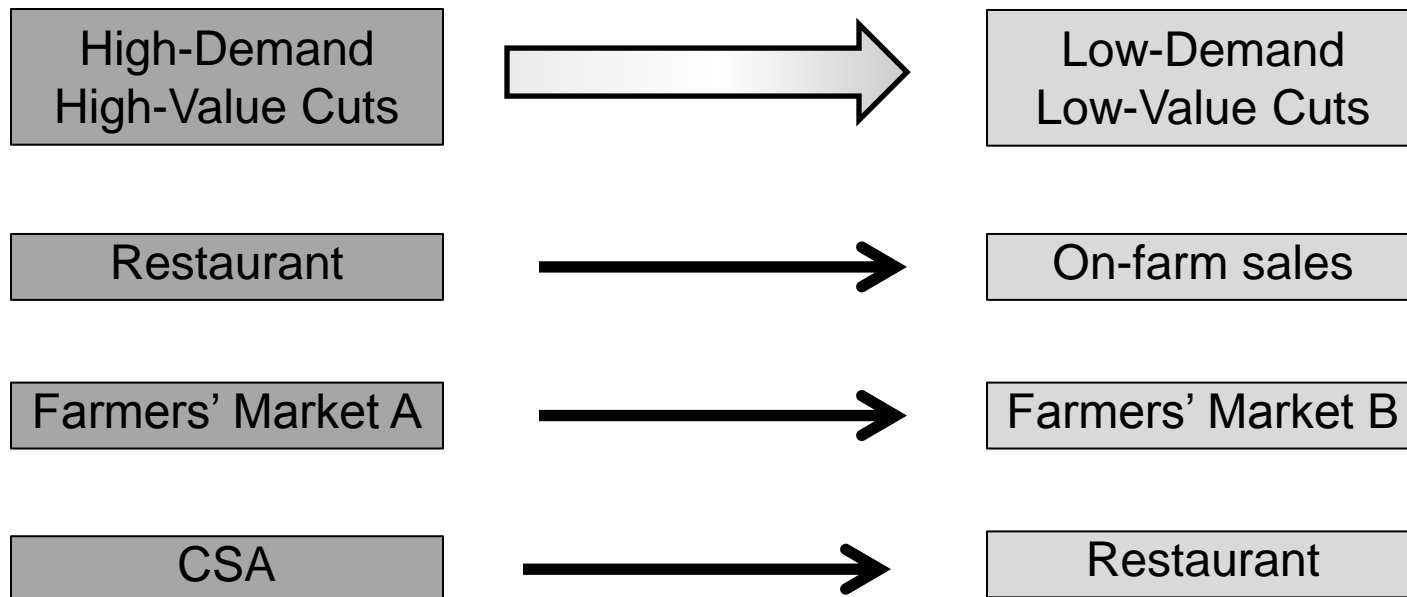
Enter mkt. channel name:					
Cut name:					

Practical Application: Marketing Decisions

Considering a marketing change, what should it be?

- Reduce participation in weakest performing channel.
- Increase participation in best performing channel.
- Maximize lifestyle preferences.
- Adjust channel pricing to improve performance.

Channel Combination aids inventory management.



Consider Price, Profit & Volume

	Weight selling price is based	Average Price/lb.	Hours spent	Lbs. sold	Gross Sales	Costs	Marketing Profit/head	Profit \$/hour
Farmers' Market								
Freezer Trade								
Live animal	HCW 660	\$1.45	2	660	\$957	\$2	\$955	\$478

Other assumptions:

Does not include any production costs.

\$1/head to Beef Check-off program.

10 head load for the live animal channel.

\$1/head marketing fee for live animal channel.

Selling at a 4 hour farmers' market takes 6 hours.

Marketing Costs:					
	Trucking	Kill fee	wrap \$0.55/lb.	Assoc. costs	Total
Live animal	\$0	\$0	\$0	\$2	\$2
Freezer Trade					
Farmers' Market					

Assumptions for Frms' Mrkt:	
71.4	lbs./4 hour market
6.0	# of markets
6.0	hours/market
\$15	Cost/market

Cornell Cooperative Extension Beef Yield and Price Estimator

Warning: Only type in yellow highlighted fields

STEP ONE:		ENTER BASE PRICE & ANY PREMIUM	
	Price	Unit	
BASE PRICE:	\$1.52	lb/HCW	
Premium	\$0.25	lb/HCW	
Total:	\$1.77	lb/HCW	

<p>You may want to use the weekly average price based on USDA report (link below).</p> <p>Use price for steers, dressed delivered basis, 65-80% choice, high end of range or average.</p> <p>Assume a premium price!</p>							
				<p>http://www.ams.usda.gov/mnreports/lm_ct100.txt</p>			

STEP TWO: ENTER OTHER COSTS, CARCASS WEIGHT, & YIELDS					
COSTS	Rate	1 head price			
Animal purchase	\$1.77	\$1,191.21			
Trucking	\$30.00	\$30.00	Will you charge for trucking? TIME & MILEAGE		
Slaughter	\$45.00	\$45.00	Kill fee		
Cut & wrap	\$0.65	\$437.45	Cut & wrap fee		
Delivery	\$20.00	\$20.00	Will you charge for delivery? TIME & MILEAGE		
	Total:	\$1,723.66			
CARCASS WEIGHTS	Pounds	Yield %			
HCW	673	60%	Assume 60% yield		
Retail	437.45	65%	Assume 65% yield		

STEP THREE: REVIEW ESTIMATED YIELD FOR PRIMALS					
YIELDS	% of carcass	Pounds			
Chuck primals	26.0%	114	Assume primal yields as published by Angus Assoc		
Flank & Short plate prim	9.5%	42			
Brisket & Shank	10.0%	44			
Trim	1.0%	4			
Round primals	27.0%	118			
Rib primal	9.5%	42			
Short Loin primal	8.0%	35			
Sirloin primal	9.0%	39			
Total:	100.0%	437.45			

Based on the estimated yield and costs, total costs per pound is:

\$3.94

STEP FOUR:

NOW ENTER ACTUAL POUNDS RECEIVED FOR EACH CUT

	Pounds	Total Retail lbs.	% of Carcass	Cost/lb.	Product cost
Ground beef	256	431.96	59.3%	\$3.94	\$1,008.70
Stew Meat	37	431.96	8.6%	\$3.94	\$145.79
Top Round	24.88	431.96	5.8%	\$3.94	\$98.03
Ribs (short)	5.48	431.96	1.3%	\$3.94	\$21.59
Prime rib/ Ribeye	17.68	431.96	4.1%	\$3.94	\$69.66
Tenderloin	10.44	431.96	2.4%	\$3.94	\$41.14
Strip loin	26	431.96	6.0%	\$3.94	\$102.45
Sirloin	10.48	431.96	2.4%	\$3.94	\$41.29
Shanks/Soup bones	24	431.96	5.6%	\$3.94	\$94.57
Other 1	0	431.96	0.0%	\$3.94	\$0.00
Other 2	0	431.96	0.0%	\$3.94	\$0.00
Tongue/liver/Ox tail	20	431.96	4.6%	\$3.94	\$78.80
Actual total retail yield:	431.96		100.0%		\$1,702.03
Estimated total retail yield:	437.45				
Difference:	(5.5)	lbs.			

STEP FIVE			ENTER DESIRED MARK-UP ABOVE COST (%)	30.0%
			Mark-up above farm total cost:	
			\$5.12	Avg. \$/lb.

STEP SIX					
ADJUST PRICING TO MEET GOALS					
	% of Carcass (reminder)	Mark-up	Extended Mark- up	Suggested Pricing:	Breaks-out to:
Ground beef	59.3%	30.0%	\$1,311.31	\$4.75	\$1,216.00
Stew Meat	8.6%	30.0%	\$189.53	\$6.00	\$222.00
Top Round	5.8%	30.0%	\$127.44	\$7.75	\$192.82
Ribs (short)	1.3%	30.0%	\$28.07	\$7.25	\$39.73
Prime rib/ Ribeye	4.1%	30.0%	\$90.56	\$10.50	\$185.64
Tenderloin	2.4%	30.0%	\$53.48	\$11.00	\$114.84
Strip loin	6.0%	30.0%	\$133.18	\$8.75	\$227.50
Sirloin	2.4%	30.0%	\$53.68	\$7.00	\$73.36
Shanks/Soup bones	5.6%	30.0%	\$122.94	\$3.50	\$84.00
Other 1	0.0%	30.0%	\$0.00	\$0.00	\$0.00
Other 2	0.0%	30.0%	\$0.00	\$0.00	\$0.00
Tongue/liver/Ox tail	4.6%	30.0%	\$102.45	\$4.00	\$80.00
			\$2,212.64	\$5.88	\$2,435.89
				Average	
Difference between target mark-up and current pricing.				\$223.25	

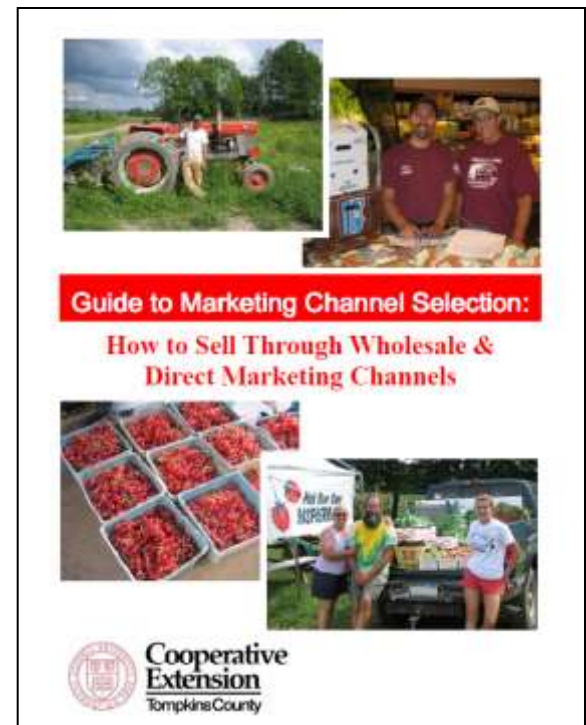
\$0	Means you reached your exact mark-up goal.
(\$)	Means you are \$ below mark-up goal
(\$)	Shows \$ above mark-up goal

Marketing Channel Assessment

- Identify goals and lifestyle preferences.
- Keep marketing cost & returns records, if only for “snapshot” periods.
- Rank & compare opportunities to maximize profits.
- Combine channels to max sales & reduce risks.

Publications

- Smart Marketing Sept. & Oct. 2010, Oct. 2012
<http://marketingpwt.dyson.cornell.edu/publications.html#smart>
- Guide to Marketing Channels
<http://cctompkins.org/sites/all/files/factsheets/factsheet-1317.pdf>



Contact information:

Matthew LeRoux

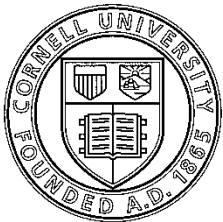
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