

## Sample Direct Market Beef



Jim & Betty Sample

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## **Executive Summary**

Meadow Angus Farm is a 70 cow purebred Black Angus beef/cow-calf and cash crop farm owned by Dan and Cari Langlie near Pine Bluff, Minnesota. All animals, including 40-80 custom grazed dairy heifers, are seasonally grazed on 208 acres of lush grass-based pasture each year. Feed is supplemented with mixed hay, grain and silage grown on the farm. A total of 318 acres are dedicated to cash crops (corn, soybeans, hay).

One of our immediate goals is to grow the farm into a more profitable year-round business that would enable one of us to work full-time on the farm and any one of our six children to join the business should they choose to do so when older. Our strategy is to gradually add value to our beef through year-round off-farm processing and direct marketing.

With recent scares of mad-cow disease hitting the United States, we believe more consumers will seek high-quality beef that has been fed on grass. Meadow Angus Farm can provide excellent high quality, tasty, safe beef products to consumers thanks to our pure-bred Black Angus herd genetics and use of pasture seven months of the year.

Using a federally inspected plant close to Pine Bluff we will process beef from seven of our steers in fall 2004, 40 steers in spring 2005 and another 40 steers in the fall of 2005. Our target sales volume is 80 head/year. We will market fresh beef at wholesale prices through a local Pine Bluff retailer, Vern's Family Market. The meat buyer at Vern's Family Market has verbally committed to stocking our beef in their two stores. We will continue to market a portion of the herd for a premium as Black Angus breeding livestock.

Our start-up costs total \$2,150 for labeling fees and a new freezer/trailer. A partial budget analysis (attached) shows that by direct marketing 80 cows/year we can generate an additional \$22,738 in net profit annually.

As our business continues to evolve and our direct marketing plans mature, one of our long-term goals is to become certified organic for grains and livestock. We were named conservation farmers of the year for Pioneer county in 1998 and want to maintain this reputation.

## **Business Description**

Meadow Angus Farm is located on 386 acres near Pine Bluff in Pioneer county -- within 40 miles of Rochester, Minnesota. About half the land is on silt loam and the other half is on a sandy loam. The farm is owned in joint tenancy and operated as a purebred Black Angus beef/cow-calf and cash grain business by sole proprietors Dan and Cari Langlie. Our enterprises in 2004 include:

- \* 68 head of breeding cows
- \* 45 head of young heifers
- \* 40-80 custom grazed dairy heifers
- \* 128 acres corn
- \* 213 acres hay
- \* 134 acres pasture
- \* 18 acres corn silage

All livestock are seasonally grazed on lush, grass-based pasture between April - October. We plan to rent another 150 acres in 2004 and enlarge our beef herd to 100 head of cows.

Dan and Cari work part-time on the farm. Dan also teaches full-time at the Community College. Cari works part-time as a registered nurse at St. Mary's Hospital with the Mayo Clinic in Rochester. We have six children who range in age from six months to six years old.

We hire a 1/4 to 1/2 full time equivalent of additional help each year to assist with spring and fall field work, hay harvesting, weighing and tagging calves, and general farm activities.

## **Mission Statement**

Meadow Angus Farm will grow our business to provide a stable income for our family by providing the highest quality beef to Minnesota retailers and consumers.

## **Goals**

Business and family goals for the next several years include:

Provide employment opportunities for family members;

Create a great place for our children to grow up;

Increase net worth by \$40,000 per year;

Achieve a 7% return on assets (ROA); and

Maintain a reasonable balance or work and family.

# **Business Description**

## **Facilities**

We have very good fences and a good livestock watering system on our home farm(236 acres). We also have a concentrated feeding area with automatic waterers near the buildings. We have a very effective cattle handling system in our barn with a chute and scale for weighing animals. A network of lanes connect all of our paddocks. We have a 33' x 90' pole shed that is used for machine storage. We have a 16' x 90' lean - to that holds about 75 round bales. We have a 62' x 100' hoop shed that will hold over 300 round bales.

## **Business History**

We purchased our original 120 acres in 1993. In 2000 we bought another 116 acres of adjacent land. We began converting our farm to a management intensive rotational grazing system in 1995. It had been in the Conservation Reserve Program and corn/soybeans. In 2004 we purchased another 152 acres of bare land. We will be growing hay as a cash crop on this ground in addition to corn.

Dan has a B.S. in animal science and minors in agricultural business and farm management for UW - River Falls. He has a Masters Degree in Agricultural Education from the University of Minnesota. He worked as an Extension Agent in Minnesota and then in Wisconsin. He taught farm business management in Fergus Falls and since 1992 has taught in the Pine Valley area. Cari works 1/2 time as an intensive care R.N. at St. Mary's Hospital in Rochester.

# Operations

## Products

We own 70 head of Black Angus beef cows and will breed around 26 yearling heifers in 2004. We should be close to the 100 head mark for beef calving in 2005. We expect to finish seven beef steers in 2004. All animals are bred to calve in spring and will be finished the following August on pasture through October 27th. We may move part of the herd to calve in the fall in order to supply year-round beef products as part of our direct marketing strategy.

We carefully manage 208 acres of prime pasture and rotate our animals daily. Supplemental feed, consisting of high relative feed value mixed hay, corn silage, corn grain, and free choice mineral, are rationed accordingly to meet each animal's individual needs. We will work with Great American Coop to continue developing our rations.

Our animals are very healthy as a result of careful management and their access to pasture. Our steers and heifers are vaccinated through River Veterinary Clinic and follow the health profile recommended by Pfizer Animal Health Products. We've also been involved with the Minnesota State Vet to implement Johne's testing on our herd. Currently, we have had two years of complete negative results. We will continue to monitor for Johne's using this program. We will continue to do the worming, vaccinations and overall herd health program through the River Veterinary Clinic.

Crops: Our cropping plan for 2004 is outlined below.

128 acres of corn grain and then harvesting stalks (100 bales)

18 acres of corn silage

213 acres of hay

134 acres of pasture

Dan will manage the crops and fertility by continuing to soil test and will begin to work with a local crop consultant to explore our long-term goal of organic production.

Custom Grazing: We have custom grazed 40-80 dairy heifers annually over the last 6 years and plan to do so in the future. We may consider adding facilities to feed them year round.

## **Risk Management**

Meadow Angus Farm will work hard to reduce our exposure to production and marketing-related risks. We have divided up our risks and management strategies below by enterprise:

Livestock: Poor herd health is a risk that every livestock owner faces. We are working continuously to improve herd health through regular testing, communication with our vet, and the use of pasture for feed and to break up disease cycles.

Direct marketing: We anticipate several risks related to direct marketing. The first concerns food safety liability. We are exploring liability insurance alternatives while talking with a lawyer about reorganizing the livestock portion of the business from a sole proprietorship to an S-corporation. We may also be able to expand the umbrella of our general farm insurance policy to address these risks. Another risk is the loss of retail sales. If the retailers stop working with us we will market more of our beef directly to consumers. If we have trouble marketing our planned volume directly, we can always sell through livestock markets and still receive a premium for the high quality Black Angus beef.

Cash grains: We will continue to develop an annual, written marketing plan for cash grains using Marketeer Software. We manage our crop production risks through the use of multi-peril insurance. Our policy provides 75 percent coverage.

## **Environmental Issues**

In 1998 we were Pioneer County conservation farmers of the year. We want to maintain this reputation and will continue to work closely with our county



feedlot in the future. Moreover, we will continue to explore organic certification. This is a serious goal but will take time due to the three-year conversion required for certification and our own learning needs. We will need need help with this.

# Marketing Plan

Our goal for Meadow Angus Farm is to provide excellent high quality, tasty and safe beef products to the consumer. Using a federally inspected plant close to Pine Bluff, we will have our meat processed into bulk beef cuts (for retailers) as well as individually wrapped steaks, roasts, burgers, ribs and other choice pieces upon request. The majority of our meat will be marketed at wholesale prices to a local retailer.

Our target market includes individuals who value meat that has superior taste, produced safely and with respect for the environment. Because of our 100 percent Purebred Black Angus herd genetics we know that our beef is superior tasting compared to most meat on the market. Black Angus cattle develop more marbling (fat) in their muscles. Marbling is one standard used in the industry to grade meat since it is an indicator of juiciness and tenderness. Meat with high marble content often grades at the top of the chart as "prime." We will be able to offer our customers prime quality beef and "peace of mind"; they will know that our animals are healthy and have been raised on lush pasture seven months of the year.

All of our meat will be processed at Joe's Meats which is located 30 miles from our farm. We visited with the processing manager to discuss volume requirements, packaging options, and cost. This processor quoted us a price of \$.33/pound to process, package and label our beef as individual cuts and \$.28/pound for bulk meat pieces. We plan to sell individual cuts off-farm direct to consumers at retail value while the bulk pieces will be sold at wholesale values direct to Vern's Family Market. This meat buyer for Vern's said he could sell more than we could ever produce.

Vern's Family Market is a local retailer that has stores at two locations in Pioneer county. We have met with the meat buyer for this store about interest in carrying our beef. Currently, he offers beef cuts from an Iowa processor that are not certified 100 percent Black Angus. We received a verbal commitment from this buyer to stock our products as he feels there is demand among his customers for high quality, locally-produced meat. He requested that we provide bulk pieces that can be re-cut, packaged and labeled (with our logo) at the store. He agreed to stock our products exclusively (after taste-testing) and to provide prominent refrigerated space for our beef products in his stores.

## **Marketing Strategy**

Our marketing strategy is to become an exclusive supplier of Black Angus beef products to our local retailer and to direct-market beyond our county borders via the Internet and word-of-mouth.

In 2004, we will direct market seven steers and develop a written custom heifer rearing agreement prior to April 1 with the owner for the dairy herd that we custom graze. Beginning in fall 2004 we will process and market our first seven steers off-farm through Vern's Family Market. By fall 2005 we will market another 35 steers. Our goal is to direct market the majority of our beef by fall 2005 at both the wholesale and retail levels. We will always market a small portion of our herd as breeding livestock due to the high demand for the superior genetics of our pure-bred Angus steers. This two-pronged marketing strategy will remain flexible depending on market growth and prices.

For our cash grains, we will continue to use Marketeer Software to create an annual marketing plan. We will expand our hay customer list and visit with past buyers prior to the hay harvest season to arrange sales.

# **Management & Organization**

## **Management Team**

Dan Langlie acts as General Manager and will continue to do so. His responsibilities include:

1. Managing labor/personnel;
2. Communicating with buyers;
3. Distributing and promoting beef products;
4. Making spending decisions/capital purchases;
5. Communicating with lenders, vet, nutritionist, feedlot officer;
6. Making overall decisions with input from others; and
7. Completing business analysis, cashflow projections, and marketing plans.

We anticipate that the increased labor from our direct marketing business will total approximately 200 hours/year or 17 hours/month. This estimate is based on others' experience with direct marketing. It includes delivery of beef products to retailers and on-going communication with buyers.

Cari Langlie is Assistant Manager. She:

1. Makes decisions in absence of General Manager;
2. Performs accounting and financial reporting; and
3. Maintains herd recordkeeping (AIMS - Angus Herd Information Manager Software, AHIR - Angus Herd Improvement Records).

## **Professional Services**

Veterinary - River Vet

Nutrition - Great American Coop

Crops - Consultant and Ostrander Agronomist

Machinery - JD and Agco local dealerships

Lenders - 1st National Bank and FCS

## **Financial Plan**

We've prepared a partial budget for the direct marketing enterprise. This budget reflects our increased income for 2005 when we are direct marketing 80 head. According to this budget, we will add \$19,738 net income to our farm business by direct marketing our beef. The partial budget includes the increased gross income (\$0.42/lb) from sales of bulk meat cuts at wholesale prices ( $\$0.42/\text{lb} = \$1.20/\text{lb} - \$0.78/\text{lb}$ ) all start-up expenses, as well as additional labor, principle and interest payments on a loan for the trailer/freezer. Our return on assets is 925% -- well above our goal of 7% for the farm business.

## **Financial Position**

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