

Direct meat market fattens farm profits

WASHINGTON, D.C. — Fruits, vegetables, and flowers aren't the only home-grown products that farmers sell directly to consumers. Some farmers have turned livestock and poultry operations into thriving direct-marketing businesses.

In surveys covering 22-states, farmer-to-consumer livestock and livestock product sales represented only about 15 percent of all direct marketing receipts. However, this 15 percent added up to nearly \$90 million in annual farm earnings, according to Hal Linstrom of USDA's Economic Research Service.

Included in the figure are direct sales of livestock and poultry meat, livestock byproducts, eggs, and live animals. Dairy product sales, which are reported separately, would raise the total another \$44 million. Dollar volume in all categories is probably higher today because the surveys date from 1978 to 1980.

Within the livestock marketing group are some of the most specialized of direct sellers: farmers who raise, slaughter, process, and retail their animals. No one knows for sure how many operations fit this description nationwide, but interest in this type of marketing has been growing, Linstrom says.

To learn more about direct marketers of livestock and meat, the Economic Research Service and the Texas Agricultural Experiment Station conducted a study of nine Texas farm operations that handle livestock from production through retail sale. For comparison, analysts also looked at eight nonfarm operations that buy livestock and

custom slaughter the animals for retail and wholesale customers.

The recently completed study focused on beef and pork operations, although some of the findings might apply to other livestock products as well. Data cited apply to 1980.

Both the farm and the nonfarm firms were relatively small. The farmer-owned operations slaughtered an average of 47 cattle and 24 hogs a week, while the nonfarm firms average 42 cattle and 17 hogs.

All the operations provided custom slaughtering and processing services, including killing and skinning the animal, dividing the carcass into cuts, and wrapping, freezing, and smoking the meat according to the customer's preference. A few rented locker space to their customers for storage of frozen meat.

In most cases, business was divided between custom slaughtering for retail and wholesale customers and retail sales of fresh meat cuts. Retailing, rather than selling to butchers and other wholesale buyers, has been the part of the business that has shown the most rapid growth over the last few years, according to Linstrom.

Some firms charged up to \$10 a head for custom slaughtering, while others had no extra charge—as long as the customer left the hide and byproducts. Cattle hides sell for about \$45 per cwt. Byproducts are about 40 percent of the animal's live weight and contribute 5 to 10 percent to packers' gross sales.

On the average, farmers charged slightly more than \$4 a

head to slaughter a cow or steer — in addition to keeping the hide and byproducts — and 13 cents per pound of carcass weight for processing. Nonfarm firms charged about the same for custom slaughter but around 16 cents per pound for processing.

For hogs, farm firm slaughter charges averaged \$6.25 plus byproducts, and processing charges averaged 13 cents per pound. Nonfarm firms charged an average of \$9.15 per hog plus byproducts for slaughter and 17 cents per pound of carcass weight for processing.

The Texas producers in the study said they went into the direct marketing business to cut out the "middleman" and, thus, earn a greater profit. In general, they seem to have been successful.

They showed better returns for both steers and hogs compared with sales through conventional outlets. Returns averaged \$51 higher per steer and \$19 higher per hog for their meat cuts, and that's after figuring in a return to cover the additional capital and management required in such

operations.

Producers saved on transportation and selling costs, such as commissions and auction fees. They also gained some of the profits normally added in the slaughtering, processing, and retailing stages.

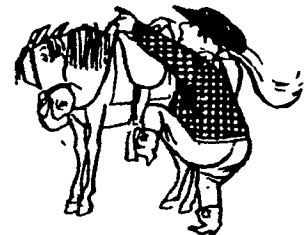
Their retail customers also benefited. Consumers saved 10 to 12 percent off supermarket prices for their meat purchases, Linstrom says. Eight beef and pork cuts average \$1.95 per pound when retailed at farmer-operated businesses, \$1.98 at the nonfarm

custom slaughter firms, and \$2.21 at butcher stores and supermarkets.

The integrated farmer operations sold mostly ungraded beef comparable to USDA Good. Supermarkets and specialty meat stores sold USDA Choice beef. The quality of pork was about the same for all types of businesses.

"This case study suggests that direct marketing of livestock and livestock products can often be profitable for small and part-time farmers and for consumers as well," Linstrom says.

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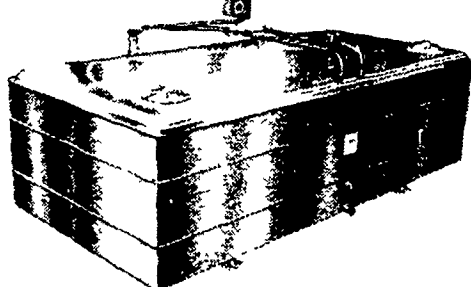


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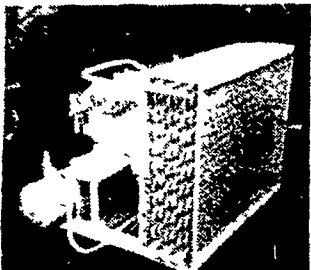
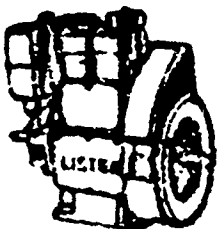
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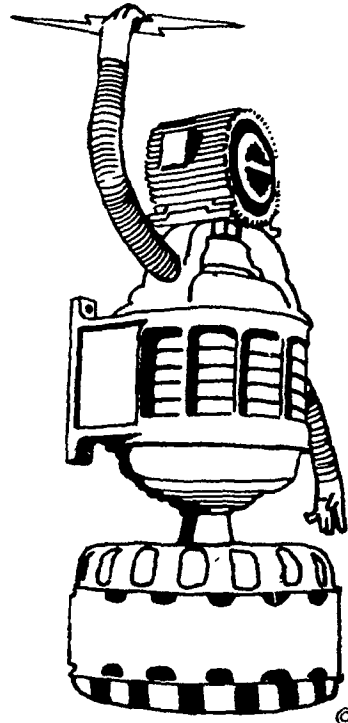
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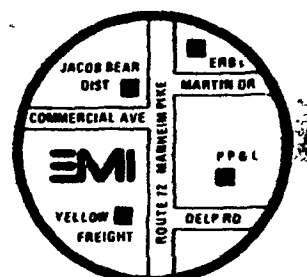
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