

Evaluating Direct-to-Consumer Marketing Opportunities for Local Beef in Missouri

Many consumers seek high-quality beef from local sources. Beef producers considering finishing cattle may choose to sell cattle into the commodity beef market or to market live animals or packaged beef directly to consumers. In many cases, a combination of commercial and direct marketing may be the best way for producers to maximize revenue for their beef and sell the volume necessary for profitability. This publication helps producers evaluate direct-to-consumer beef marketing opportunities.

Selling beef direct-to-consumer

Cattle producers have marketing options when selling directly to consumers. Producers can sell live animals as whole, half or quarter shares, or packaged beef by the cut. Often, the producer's marketing decision depends on the type of processors nearby and the amount of time the producer is willing to spend marketing cattle or beef.

Selling beef by the cut requires producers to work with processing facilities under federal or state inspection. Beef producers must sell their cattle by live weight as a whole, half or quarter share if customers want to process the beef under a custom exemption to inspection. Processors operating under a custom exemption may only be hired by the animal's owner at the time of slaughter. Custom exempt processing costs are paid by the buyer or the person taking possession of the beef.

Additional information on meat processing regulations

- MU Extension publication MX3001, [5 Steps to Buying Meat Direct From the Farm](#)¹
 - MU Extension publication G852, [Missouri Slaughter and Inspection Requirements for Livestock and Poultry Producers](#)²
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Figure 1. Selling half and quarter shares provides convenience to consumers due to large carcass sizes.

Beef cattle producers often find it difficult to market a whole beef as many consumers are not able to store or consume such a large quantity of beef (Figure 1). To make local beef more feasible, cattle producers can offer shares of an animal to customers and thus reduce individual financial and storage obligations. Selling half- or quarter-shares of an animal does require more marketing effort, but it may also increase the price farms can charge for the beef due to the added convenience for consumers.

Some consumers prefer specific beef cuts rather than bulk orders. Producers can cater to these consumers by having finished cattle slaughtered and processed under state or federal meat inspection. Then, beef cuts can be priced and sold by the pound. Producers who elect to sell beef by the cut do incur costs for processing, cold storage and marketing, but they can charge premium prices for this added value. Producers with high-quality beef may elect to have their beef quality-graded during processing and then charge premiums that reflect the quality of their beef.

Measuring the value of a beef carcass

The most common value measures of a beef carcass are yield grade and quality grade. Yield grades represent how much meat a carcass produces relative to its size. Yield grade is scored on a scale of 1 through 5, with 1 having the highest ratio of boneless cuts to carcass weight. The calculation for yield grade is based on the hot carcass weight of the beef; the fat thickness at the 12th rib; percent of kidney, pelvic and heart fat (KPH); and the ribeye area. An over-finished animal of a given frame size will typically have a less desirable yield grade, or higher grade number, than a lean, heavily muscled animal of the same size, which will have a yield grade close to 1.

Quality grades measure the tenderness, juiciness and flavorfulness of the beef. Marbling and maturity are the two factors used to determine beef quality grades. Abundant marbling, or intramuscular fat, adds juiciness and flavor. Maturity, or age of the animal, directly affects tenderness, with less than 30 months being ideal. One of eight quality grades is assigned on a Canner to Prime scale, with Prime being the best grade. Because quality grade is visually assessed, some margin of error is possible. The U.S. Department of Agriculture (USDA) Agriculture Marketing Service provides [quality and yield grade standards for the beef industry](#).³

Impact of yield and quality grades

When selling beef directly to consumers, a better yield grade benefits the producer in terms of the total pounds available for sale. A better quality grade indicates a premium product that commands a higher price. It is important to note that yield grade and quality grade change opposite from each other when it comes to producing finished animals for direct-to-consumer sale. Less-finished carcasses usually have a better yield grade because they have little exterior fat, but a poorer quality grade because they have less marbling. Likewise, a more finished carcass will generally have more marbling and a higher quality grade, but a relatively worse yield grade due to the extra fat deposited on the outside of the carcass and around the internal cavities. The balance between yield and quality that a producer chooses depends on the producer's goals as the product marketer and the image of the brand.

Costs of marketing direct-to-consumer beef sold live

The costs of marketing beef directly to consumers include the costs to produce the finished beef animal, marketing costs, operating interest and ownership costs. The companion to this guide, MU Extension publication G684, [On-Farm Beef Finishing Planning Budget](#),⁴

Table 1. Costs of finishing a beef animal sold in halves.

	Cost per animal sold (dollars)	Cost per live pound (dollars)
Operating costs		
Production of finished beef	2,692.81	1.84
Marketing	276.67	0.19
Miscellaneous	10.00	0.01
Operating interest	319.58	0.22
Total operating costs	3,299.05	2.26
Total ownership costs	325.27	0.22
Total costs	3,624.32	2.48

provides greater detail about the production costs for a finished beef animal. Marketing costs, operating interest and ownership costs vary with the method of sale. Table 1 shows the estimated costs of finishing a beef animal sold direct-to-consumer as halves, by live weight. The value of the carcass used in this example assumes a yield grade of 3 and a Choice quality grade, common for a grain-finished animal at 18 months of age.

Costs of marketing beef as individual retail cuts

When selling beef by the cut directly to consumers, producers incur costs to slaughter, process, package and store packaged beef. These costs add to the costs of finishing and marketing live animals.

Selling packaged beef cuts requires the finished beef animal to be slaughtered and processed under inspection, adding an estimated \$800 to \$900 of expenses per animal depending on animal weight and processing specifications. When pricing beef as retail cuts, be sure to account for processing and storage costs. Table 2 shows an example of the costs of raising and marketing a finished beef animal as retail cuts. The value of the carcass used in this example assumes a yield grade of 3 and a Choice quality grade, common for a grain-finished animal at 18 months of age.

Producers can use custom packaging and labeling to establish a brand for their beef. Branding increases consumer recognition and the likelihood of repeat customers. Costs of custom packaging or labeling vary depending on the type and level of detail included. Examples include labeled butcher paper, stickers for vacuum packaging and logo-printed tape.

Table 2. Costs of finishing a beef animal sold as retail cuts.

	Cost per animal sold (dollars)	Cost per live pound (dollars)
Operating costs		
Production of finished beef	2,692.81	1.84
Processing cost	846.73	0.58
Marketing	1,078.33	0.74
Beef storage	44.00	0.03
Custom packaging	75.00	0.05
Miscellaneous	10.00	0.01
Operating interest	509.15	0.35
Total operating costs	5,256.02	3.60
Total ownership costs	434.71	0.30
Total costs	5,690.73	3.90

Because producers retain processed beef until it is sold, they must purchase and operate cold storage equipment. A walk-in cooler or freezer could be used, but large chest-type freezers might be more economical if fewer than five beefs will be stored at a time.

Selling retail cuts also requires more marketing time, which entails delivering animal to and picking packaged cuts up from the processor, interacting with existing and potential customers, organizing and storing meat, removing meat from storage, and distributing product. Additionally, the producer must manage inventory and pricing in such a way that both the fast- and slow-moving cuts are sold so as to clear storage space to make room for the next animal processed. All of these business practices require time and financial commitment, so be sure to consider them before beginning operations.

Returns to on-farm finishing

Prices are highly variable for locally finished cattle sold directly to consumers. Prices depend on local supply and demand as well as the availability of local meat processors. Factors dictating supply and demand include proximity to population centers, competition for local beef, tastes and preferences of local consumers, and how

Table 3. Estimated gross returns selling finished beef animals (excluding cull sales).

	Dollars per pound of live weight	Gross income (dollars)
Live sale	2.38	3,750.63
Whole beef	2.63	4,115.63
Half beef	2.78	4,334.63
Quarter beef	2.93	4,553.63
Retail cuts	4.69	6,846.39

beef animals are sold — whole, halves, quarters or retail cuts. Table 3 shows the estimated price received per pound for fall-born cattle by each method of sale assuming a 1,300-pound animal.

The Missouri Beef On-Farm-Finishing Guide and spreadsheets evaluate costs and returns for live commercial animal sales, freezer beef, or beef sold by the retail cut. Use the links below to download these resources.

- [Missouri Beef On-Farm Finishing Budget for Fall Calving \(XLSX\)](#)⁵
- [Missouri Beef On-Farm-Finishing Budget for Spring Calving \(XLSX\)](#)⁶
- [On-Farm Beef Finishing Planning Budget](#)⁴

Web addresses

1. extension.missouri.edu/publications/mx3001
2. extension.missouri.edu/publications/g852
3. www.ams.usda.gov/grades-standards/carcass-beef-grades-and-standards
4. <https://extension.missouri.edu/publications/mx3001>
5. extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/on-farm-finishing-budget-fall.xlsx
6. extension.missouri.edu/media/wysiwyg/Extensiondata/Pro/AgBusinessPolicyExtension/Docs/on-farm-finishing-budget-spring.xlsx