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Improved Meat Marketing for Small Scale and Direct Marketing Farms in the Northeast

PART III. Choosing Your Marketing Channels

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Choosing Marketing Channels

Farms choose direct-to-consumer marketing channels in search of higher prices, higher gross sales, and the *implied* higher profit per head. When choosing a marketing channel, a bit of simple business planning is necessary first. I like to start with the farm's gross sales goals. How much money, in total gross sales, would the farm like to make in the coming year? If starting with a profit or "take home" amount, then how much does the farm need to gross to make that amount possible? Given the total gross sales goal for the farm, how does that break out over the various enterprises? Asking a few simple questions can help direct the farm to the number of animals needed and the channels that make sense for the scale and goals of the farm. The next important factor in choosing your channel is the farmer's preferences for customer interaction and time on/off the farm. Additionally, market research is needed to investigate the market size within your chosen geography and channel in order to determine the feasibility of reaching your sales goals.

Characteristics of Channels

Marketing channels for meat can be grouped into those which require the farm to pay for processing and those that don't. Channels can be further categorized into those with sales by the cut or by the carcass (includes halves and quarters). It is the nature of channels that, the higher the price per pound they can support, the more time and investment are required.

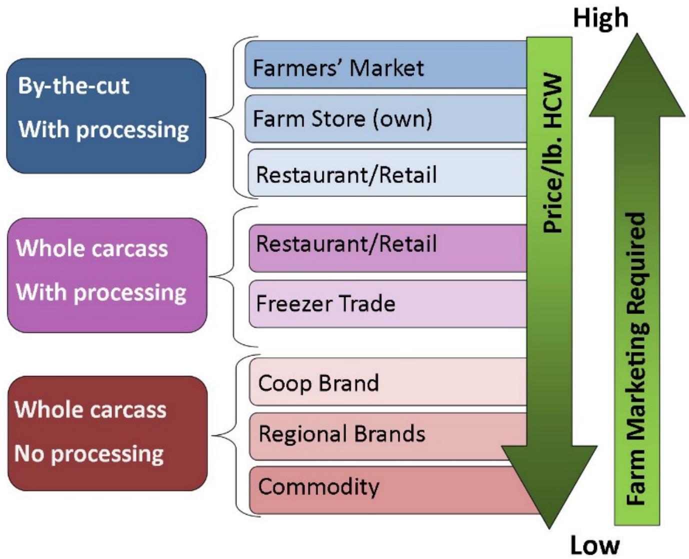

Figure 1: The graphic above depicts the relative price offered by each channel and the amount of processing and marketing required. The price received and amount of marketing required can be generalized as inversely related.

Each channel needs its own pricing

Since each channel for selling meat has a level of processing and marketing costs and pricing which it will support, a different total gross sales per head is needed in order to achieve the same profit per head. Consider the simplified graphic below. In it we assume that the processing cost and profit per head goal is the same in all channels. The difference between the channels then, is the cost of marketing, mainly in the form of farmer labor. This graphic illustrates a few different points: 1) Marketing channels which offer the highest prices per pound are not necessarily more profitable. 2) High-grossing channels are generally more labor intensive. 3) It is wise to develop channels which deliver the desired profit per head but require less time, such as the freezer trade channel in this example.

For this example, we simplified the comparison by making each processing cost and desired profit/head equal in all channels to illustrate the labor demand difference between channels, the impact on gross sales for each channel, and the need for different pricing in each channel. For the marketing cost, we valued the farmer's labor at $20/hour and estimated the number of hours/head at 12 hours for freezer trade (the sale of 4 quarters), 24 hours for sales of 1 head of individual cuts to restaurants, and 48 hours for the same at farmers' markets.

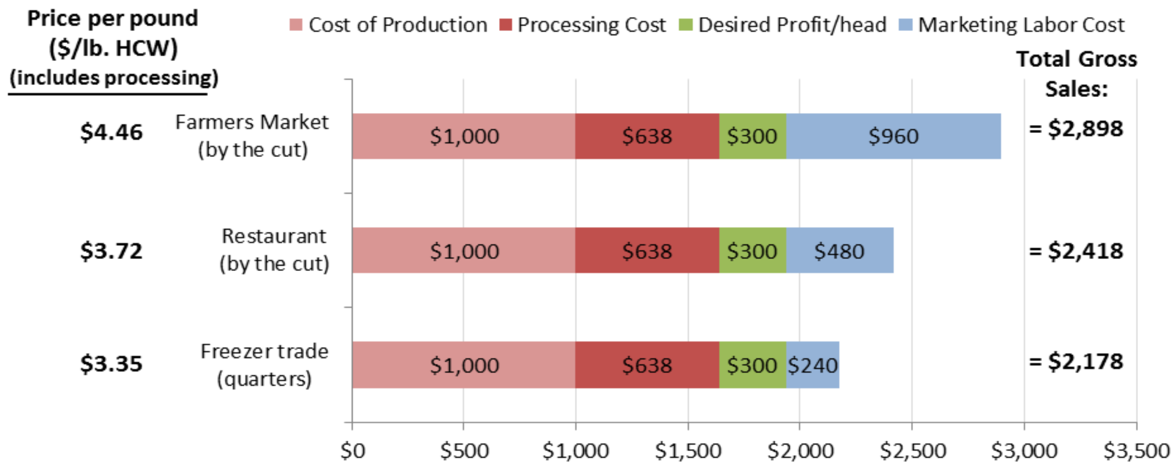

Figure 2: Assuming that the cost of production, processing cost, and profit received is equal in all three channels, the different marketing cost required would necessitate different total gross sales and therefore, channel-specific pricing.

In summary, each farm will select their best marketing channels based on the farm's income goals, the scale of production, and farmer preferences. Once chosen, each channel needs its own pricing to ensure the farm reaches its goals. Read our next article for details on setting prices for each channel.

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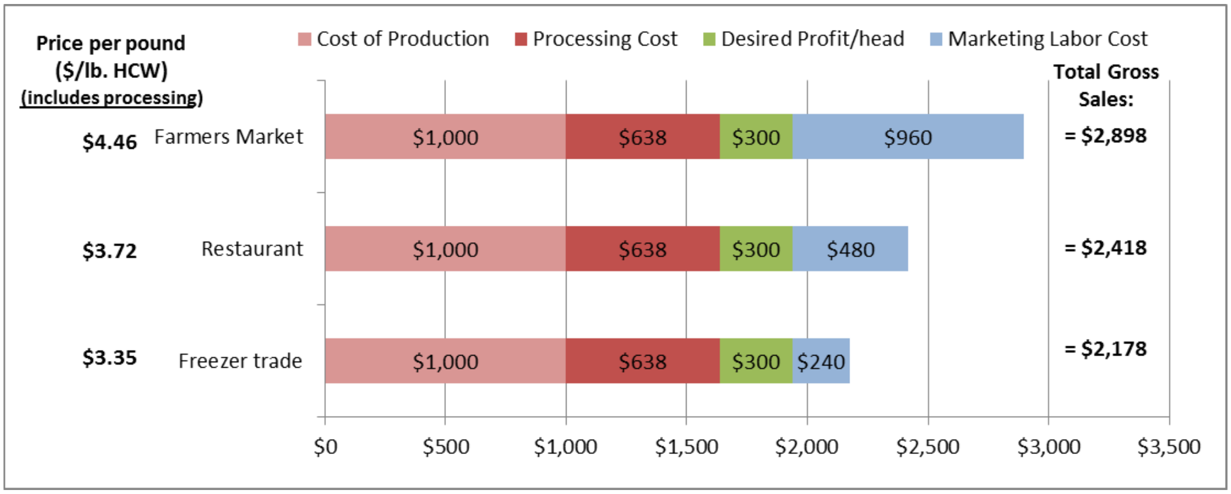
USDA United States Department of Agriculture National Institute of Food and Agriculture

NORTHEAST EXTENSION RISK MANAGEMENT EDUCATION

Matt LeRoux works for Cornell Cooperative Extension in Tompkins County, NY as the Agriculture Marketing Specialist. In 2008 Matt developed the Marketing Channel Assessment Tool to assist producer decision making and improve marketing performance. In 2012, Matt started the Finger Lakes Meat Project including MeatSuite.com, two community Meat Lockers, and the Cornell Meat Price & Yield Calculator.

"Smart Marketing" is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. ***Please cite or acknowledge when using this material***. Past articles are available at http://dyson.cornell.edu/outreach/smart-marketing-newsletter.



Price per pound
($/lb. HCW)
(includes processing)
Cost of Production
Processing Cost
Desired Profit/head
Marketing Labor Cost
Total Gross
Sales:
$4.46
Farmers Market
$1,000
$638
$300
$960
= $2,898
$3.72
Restaurant
$1,000
$638
$300
$480
= $2,418
$3.35
Freezer trade
$1,000
$638
$300
$240
= $2,178
$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
$3,500