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**The meat of the matter:
Growing farm profits means cultivating business model**

By Mark Parker

Soldier, Kansas--Meat producers who have broken away from the commodity herd are headed down a trail that can lead to profitability—as long as financial savvy guides their efforts. Addressing more than 30 family farmers from across eastern Kansas recently, Jim Munsch advised growers to begin by identifying who their customers are and what they want. The Wisconsin organic beef producer and business consultant led the recent Growing Your Farm Profits workshop presented by the Kansas Rural Center near Soldier, Kansas.

A growing number of consumers, Munsch told the farmers, want more than just sustenance from the meat they buy. The meat that alternative market farmers offer can include a variety of “extras.” It could be grass-fed or organic, it could come from a farm focusing on animal welfare or it might simply originate from a known, local farm, Munsch said. And just as those factors affect value, he noted, they also impact the cost of production as well as the price of the product.

“We have to determine the parameters of value,” said Munsch, whose certified organic Deer Run Farm markets beef through a large organic vegetable CSA (Community Supported Agriculture) coalition. “Whether it’s organic, grass-finished, or focused on animal welfare, those things have value to certain consumers but you have to determine what they’ll pay above the price of more traditional products.

“At that point, figure your costs to determine profitability. If you can’t make a profit, then you have to go back and make modifications. Ultimately, if you can’t find a way to profit, you’ll be faced with the decision of abandoning the enterprise or simply regarding it as a hobby.”

The good news for direct meat marketers is that, to a significant degree, pricing is more manageable than it is in traditional markets. Those “extras” in the basket of goods and services become part of the business, Munsch said. Each must be performed well and at a cost that’s less than the price the product commands. “The tricky thing is that there is no formula for determining price,” he said. “You have to be in the

marketplace and engaged with your customers and, ultimately, make a judgment call on the value of (your product).”

“The U.S. has the cheapest food in the world so consumers have room to spend more of their disposable income on food if they choose,” Munsch continued. “Eighty-percent simply want food that’s cheap and safe. The rest want more than that and are willing to pay for it. There is a price premium that can flow back to the farmer if he or she can do a good job.”

Surveys of his Grazier’s Organic customers, Munsch said, indicate that animal welfare currently ranks as the number one purchase motivator but those preferences are dynamic.” You have to know customers’ hot buttons,” he explained. “Those can change so it’s important to find out what is important to them and how your product stacks up.”

Munsch cautioned, however, that as value and price go up, demand falls because the market becomes smaller. He emphasized that accurately tracking all costs is imperative, suggesting that each expense be allocated to the appropriate enterprise. It is also important to remember, Munsch stressed, that the additional requirements of a more direct marketing scheme adds to cost.

“You always hear people complaining about the middleman,” he said, “but you have to keep in mind that the middleman provides necessary services. Cut him out and you have to perform those (tasks) and they can become a big portion of your costs. You can’t take your eye off the ball on costs just because you’re selling in a higher priced market.”

For Munsch, it comes down to measuring results, whether they are related to finances or production. “The more decision-making information you have the better,” he asserted. “Whether that information measures the quality of your product, the costs of production, or it gives you a better picture of why buyers buy—or why they don’t—is very valuable to you.”

Workshop attendee David Heidebrink, who operates Heide-Way Farm at Wakefield, Kan., said there is an informational need among food growers. “There really isn’t a model for how to set prices so doing it right can be a challenge,” said Heidebrink who produces fruits, vegetables and herbs in addition to natural beef, pork and chicken. “Any help I can get on pricing and the financial aspects of this business is appreciated.”

Likewise, John Bauman of Bauman’s Cedar Valley Farms near Garnett, Kan., expressed a desire for more management information. “This workshop could have lasted for two days and we wouldn’t have run out of things to talk about,” said Bauman, whose family produces pasture-raised eggs and poultry as well as grass-fed beef and lamb. “You can’t learn too much about either marketing or production. They’re both extremely important and you sure can’t have one without the other.”

Aside from the financial aspects of alternative meat enterprises, Munsch offered food for thought for those attending the workshop. While urging producers to differentiate their product and to accentuate its positive aspects, he suggested that “talking down” more traditional meat production is unwise. “Remember this is not religion, this is not politics—this is marketing,” he said. “Talking bad about the rest of the industry reflects poorly on you, too. Spend your time talking about good things.”

In addition to learning about positioning their farms to succeed, Grow Your Farm Profits participants received costing software tools Munsch is developing for USDA's Risk Management Agency. For more information on the Kansas Rural Center and the resources it offers farm families, log onto the Center's web site: www.kansasruralcenter.org. -30-

Mark Parker is a free-lance journalist working from Parsons, Ks.

CUTLINE Information:

Wisconsin organic beef producer and farm marketing consultant Jim Munsch shared profitability tips with livestock producers attending the Kansas Rural Center's Growing Your Farm Profits Workshop held recently at the Red Rock Guest Ranch near Soldier, Kan.