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WHERE'S THE BEEF?

Legal and Economic Considerations for Direct Beef Sales

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INTRODUCTION

Many cattle producers are interested in trying a different marketing model where they sell their beef directly to the consumer. Incidentally, many consumers are interested in purchasing beef directly from the farm. Recent data showed that nearly 40 percent of United States (US) ranchers surveyed by AgriWebb's State of the Global Farmer Survey indicated they sell at least some of their cattle directly to consumers.¹ However, there are several key legal and economic issues that must be considered to successfully develop a direct-to-consumer beef sales business.

This handbook offers an overview of these legal and economic issues. Specifically, this book will cover:

- ▶ Identifying goals
- ▶ How beef will be sold
- ▶ Finding an intended market
- ▶ Slaughter facility selection
- ▶ Labeling considerations and marketing claims
- ▶ Permitting requirements
- ▶ Liability protection

- ▶ Other legal considerations
- ▶ The cattle cycle and profit by sector
- ▶ Recordkeeping
- ▶ Enterprise selection, budgeting, and price setting
- ▶ Storage, shipping, and inventory management
- ▶ Benchmarking and evaluating a new enterprise
- ▶ Similar alternatives to direct-to-consumer beef sales
- ▶ Risk management options and federal disaster programs

In addition, the authors interviewed several producers engaging in various types of direct beef sale businesses in three states, packing plant owners, and state meat inspectors, all offering "real world" tips and insight.

¹ AgriWebb, 2022 State of the Global Farmer Survey.

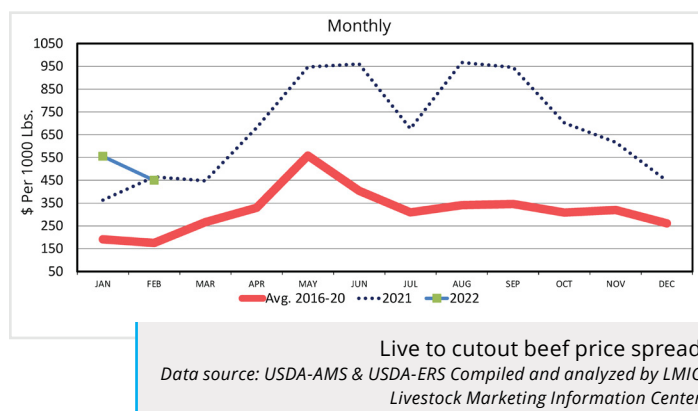


CHAPTER 1: IDENTIFYING GOALS

The first step in establishing a new venture is identifying goals. First, there are a series of general questions worth mulling over. Some questions will require introspection, while others will require serious planning and budgeting. Regardless of the answers, they are all worth writing down to revisit later.

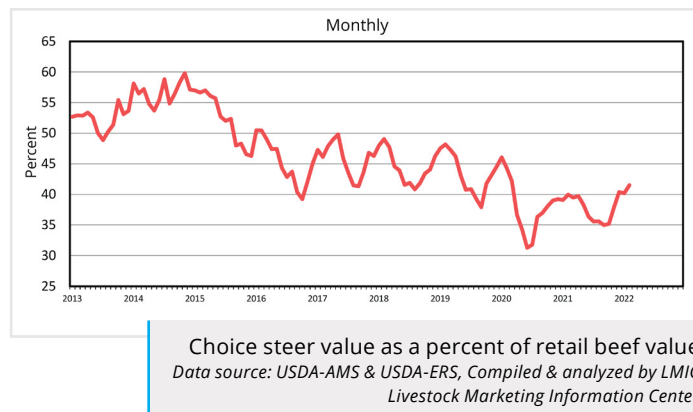
While largely conceptual, the first question to ask is: **“Why do I want to sell beef directly to consumers?”** There is not a wrong answer to this question, and answers will vary. Is the goal to make a little more money off each calf? Is the goal to get rich? Is the goal to establish a better relationship with the consumer? Is the goal to gain independence from other segments of the beef industry?

A frequent answer to the “why” question is that cattle prices are low, but the price of beef at the grocery store is high, and a producer wants to get in on the action. That reason is valid and worth evaluating. The Live to Cutout Beef Price Spread (live to cutout spread) is a measure of the difference between the value of live (fat) cattle per 1,000 pounds and the value of wholesale beef per 1,000 pounds. Said another way, the live to cutout spread is simply a rough measure of the gross margin for the packing sector.



It's important to remember that the live to cutout spread only accounts for the difference in value between wholesale beef and live cattle—it does not account for other production costs like labor, the energy required to operate a plant, interest spent on borrowing, etc. However, the trends in the spread matter and the live to cutout spread grew to historic levels during parts of the COVID-19 pandemic and after. In fact, the record live to cutout value—\$1,509.21 per 1,000 pounds—was set in May of 2020.

The live to cutout spread only accounts for the difference in live animal values and wholesale meat values. There is an additional layer of gross margin added between the packer (wholesaler) and the grocer (retailer). The Choice Steer Value as a Percent of Retail Beef Value is a ratio of the value of a live choice steer per pound to the value of retail beef per pound. The ratio has fallen since the early 2010s. There are plenty of reasons for the change, but the takeaway is that the cattle producer's share of the retail dollar fell over time.



There are many factors to take into consideration when looking at the live to cutout spread or ratio of choice steer value to the retail beef value. As previously mentioned, the live to cutout spread does not account for volatility in production costs outside of live cattle. Another nuance is that, though the producer share of the retail dollar has fallen over time, research shows that dollars spent by entities beyond the farm gate have grown the entire pie, bringing more dollars into beef production for everyone.

The change in the live to cutout spread and the shrinking ratio of the choice steer value to retail beef value, along with challenges even gaining access to processing space, is implicitly—or in some cases, explicitly—motivating many producers to question whether they have better options, such as direct-to-consumer sales. These discussions are worth having when considering the question of **“Why do I want to sell beef directly to consumers?”** Going back to the idea of “getting in on the action” and accessing more of the beef dollar earned beyond the farm gate, remember that those entities also incur additional risks and expenses. Packers, feeders, and retailers do not always make a profit. So, if an enterprise change is motivated entirely by principle without financial planning involved, remember that losses are possible.

Two more important questions are: **“What are my goals?”** and **“How will I measure success?”** Consider these the measurable versions of the first question. Assume the goal of direct beef sales is to make a little more money. Ask the following questions: What does “a little more money” mean in dollars and cents? Is success measured by additional revenue per head? What about percent change in profit? Is the goal to use profits from direct beef sales to grow herd size? Is the goal to use the profits for advertising to a wider audience, and as a result increase revenue? Is the goal more nuanced? For instance, will direct marketing build a closer relationship with customers? Goals should:

- ▶ Be clear,
- ▶ Encourage growth (within reason), and
- ▶ Be measurable, no matter the metric.

Chapter 13 addresses how to set benchmarks and how to evaluate business performance.

Another important question to find a concrete answer for is: **“What will it cost to start my direct beef sales business, and how do I plan to finance those early expenses?”** Estimating start-up costs will be important to understanding whether a direct beef sales business will be successful. Calculating a Return on Investment (ROI) is difficult without knowing the “investment” part.

Owning cattle through more of the marketing chain will require more capital and may require financing. Even without infrastructure expansion, additional funds may be needed. For instance, expanding beyond a cow-calf enterprise will require additional feed, yardage fees, transportation, processing, risk management, etc. Maybe cash flow is not a day-to-day issue and financing will not be necessary. Even so, it does not hurt to know start-up costs. Chapter 11 addresses start-up costs.

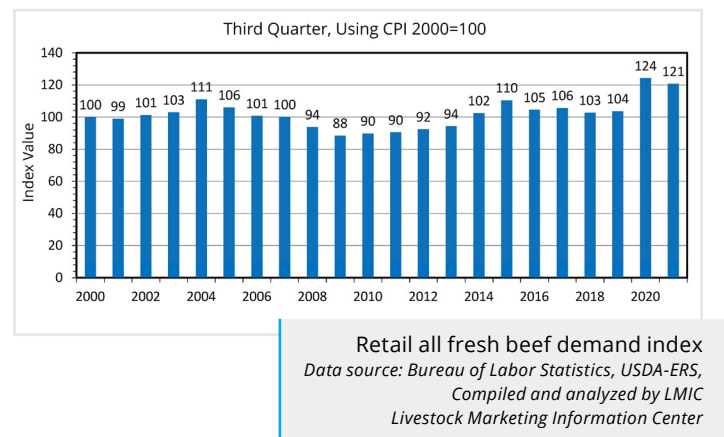
One of the more difficult questions is: **“What should I charge for my product?”** By choosing to sell beef directly to consumers, the cattle producer becomes a “price-setter” rather than a “price-taker.” The cattle producer gets to tell the market what it needs to pay for directly sold beef. Keep in mind, that does not mean that people must pay the asking price. If overcharged, consumers can always go back to beef sold through conventional channels. Set prices that provide profits, but do not gouge consumers and cause a loss of market share. So, the short answer to the question of what to charge is the classic economics cop-out: it depends.

Chapter 11 addresses break-even pricing for different sales models, but it is worth taking some time to talk about the general trends in beef consumption, expenditures on beef, and beef demand, each of which can inform pricing decisions.

Beef consumption per capita is down from the mid-nineties. In 1998, beef consumption was approximately 67 pounds per person. By 2015, beef consumption per capita fell to 54 pounds, a 19 percent decline in just 17 years. Since 2015, the per capita consumption of beef rose to 59 pounds in 2021, regaining some of the consumption that was lost in the 2000s.

Per capita expenditures on beef rose steadily from \$188 nominal (not adjusted for inflation) per capita in 1996 to \$425 per capita in 2021. That means that despite declining consumption through the 2000s and early 2010s, the cost per pound of beef at the retail counter was usually increasing year over year.

Though consumption and expenditures both highlight trends in the beef market, neither are measures of demand on their own. Combining expenditures and consumption, provides an approximate measure of demand changes over time. The Retail All Fresh Beef Demand Index compares beef demand each year, as a function of consumption and expenditures, to beef demand in 2000. Values above 100 mean that demand is stronger compared to 2000. Values below 100 mean that demand is weaker relative to 2000.



All else equal, if demand for beef is stronger, the price should go up. Similarly, an environment with stronger beef demand is one in which prices can be set higher to net more profit. All else equal, if demand for beef is weaker, the price should go down. As a price setter, consider an environment with relatively weak beef demand as one in which prices might be set lower to move volume more successfully.

These economic theories seem straightforward, but their application can also be complicated by the time and know-how required to change prices frequently as well as the impact on customers’ attitudes. Some folks just do not like price hikes. Keep in mind that higher prices do not necessarily mean more profit, especially if they drive away consumers. Lower prices do not mean less profit if they move enough additional volume to make up for the price discounts.

Finally, it is worth asking: **“What are the best- and worst-case scenarios?”** If sales are incredibly successful, how fast can the business scale up? What does scaling up production even look like? What can the business afford if prices of conventionally produced beef collapse enough to pull customers away from directly sold beef? Does the financial state of the direct beef sales business allow a smooth exit without harming the rest of the cattle operation? Chapter 13 addresses how to test the bounds of budgets on the high and low ends. Planning for the worst-case scenario provides flexibility to fix issues rather than reacting in a suboptimal manner. Planning for the best-case scenario can help prepare for business growth. Planning for the best-case scenario is also fun.



CHAPTER 2: HOW WILL BEEF BE SOLD?

One of the first decisions that must be made is how beef will be sold. There are a couple of decisions for a producer to make initially at this juncture that will guide many of the remaining decisions and requirements that follow. First, the producer should decide how they wish to sell their product, either as percentages of the animal or carcass, such as wholes, halves, or quarters, for example, or as individual cuts. If the producer wishes to sell a percentage, they need to decide if they would prefer to do so by selling the live animal, which allows for the option to utilize custom processing or to sell the processed beef. Each option offers benefits and challenges that must be understood and analyzed to make the right decision for one's business.

Selling percentage of the animal or beef

One option is to sell a percentage of either the live animal or the processed beef. Typically, this looks like selling a whole beef, half of a beef (sometimes called a side), or a quarter of a beef. This can avoid some of the headache a producer might face when selling various individual cuts of beef. As will be discussed below, oftentimes, everyone wants to buy the T-bone steaks, but it may be much more difficult to move other lower-end cuts of meat. This option removes that consideration by selling a percentage of the whole rather than individual cuts.

One potential downside of this approach is that for some consumers, purchasing a percentage of beef—particularly the traditionally offered whole, half, or quarter—may simply not be an option. They may not need that quantity of beef, they may not want all the various cuts of meat that come with this type of purchase, they may not be willing to spend the amount of money this larger quantity of beef may cost, or they may not have the freezer space to store this much beef.

On the other hand, first-time buyers of a whole or percentage may not understand the dynamics of live weight versus the amount of beef they are purchasing. On its face, the complaint here makes some sense. Searching “how much do cows weigh” online generates answers ranging from 1,100 pounds up to 1,500 pounds. For consumers not well-versed in post-harvest dynamics, it isn't a huge leap to assume that the 1,200-pound calf they purchased half of should return 600 pounds of meat. However, accounting for dressing percentage and chilling loss, take-home weight for a half ranges from 250 to 300 pounds. This may seem straightforward to those well-versed in post-harvest production, but it is an important problem to remember and one that can be solved with clear communication. Even if a new buyer accepts the explanation of dressing and chilling percentages, they may feel they overpaid.

A potential benefit of selling a percentage of the animal leads us to the second question that a producer must answer: Will they sell the live animal on the hoof or as processed beef? The reason this is an important decision is that under the law, selling a live animal (or a percentage thereof) can be a way for a producer to utilize custom-exempt slaughter. The custom-exempt option has been utilized by producers for years.

The law allows custom-exempt slaughter and processing for animals that will be slaughtered and processed for consumption by the owner. For example, if I take my own calf to the slaughter facility and take the meat home to put in my freezer to eat in my house, I can legally use the custom-exempt slaughter option. This allows me to have my animal slaughtered and processed at a custom-exempt plant rather than requiring an inspected facility. Because this approach involves selling a live animal, there are no additional insurance or licensing requirements as are necessary to sell beef.

How can this be used if a person wants to sell the beef to another person? Instead of selling the meat after slaughter, the producer can sell the live animal to the consumer prior to slaughter. After that sale transaction occurs, the producer then delivers the live animal to the slaughter facility. The new owner (consumer) pays for the slaughter and processing services. Because the consumer is the owner of the live animal at the time of slaughter, the normal inspection requirements as discussed in Chapter 4 are not required, and the use of custom-exempt slaughter is allowed. Importantly, the entire animal must be sold or owned prior to slaughter. For example, an animal may not be dropped at a slaughter facility with only $\frac{3}{4}$ of it sold or owned. There must be an owner attached to 100 percent of the animal at the time of slaughter.

For example, Bob in Dallas wants to purchase beef from ABC Ranch located in Amarillo. If ABC Ranch wanted to sell beef by the pound to Bob, the slaughter of the animal would have to occur in an inspected facility since the owner of the animal (ABC Ranch) would not be the end consumer. However, if ABC Ranch sold the live calf to Bob prior to slaughter, then custom-exempt processing would be allowed because Bob is both the owner of the animal and the consumer of the beef. If Bob wanted to purchase less than a whole beef, the producer could sell the remaining percentage of the animal to another person. So long as this transaction occurs before slaughter, then the custom-exempt option would be available.

So how many owners of a single animal are permitted while still qualifying for the custom-exempt exception? Certainly, two or four are fairly common. But what if a consumer wanted to purchase 10 pounds of a live animal to have that made into ground beef? The United States Department of Agriculture (USDA) Food Safety Information Service (FSIS) has never issued a specific regulation answering this question.² Currently, three states have enacted state-level rules that address this question. In Wyoming and Nebraska, “cow shares” are expressly allowed, but no limit on the number of owners is expressly listed. In Colorado, custom-exempt processing is available to anyone who owns at least 1 percent of an animal, indicating there could be up to 100 qualifying owners per animal. The 2021 Texas Legislature proposed a bill that would have mirrored the Wyoming law, but it did not pass.³

² To read more about this issue, see Elizabeth Rumley, “Custom Exempt” Slaughter: The Exception, or the Rule?, National Agricultural Law Center (November 19, 2021), available at <https://nationalaglawcenter.org/custom-exempt-slaughter-the-exception-or-the-rule/>.

³ 87th Texas Legislature, S.B. 867 (2021).

			PRIMAL WEIGHT, INCLUDING ESTIMATED TRIM, ASSUMING 62.5% DRESSING		
	PERCENT OF HOT CARCASS WEIGHT	% PRIMAL TO GRIND	1,300 POUND LIVE	1,200 POUND LIVE	1,100 POUND LIVE
	%	%	Pounds		
Rib	9.6%	6.0%	78	72	66
Chuck	26.8%	19.5%	217.75	201	184.25
Round	22.4%	10.3%	182	168	154
Loin	17.2%	2.7%	139.75	129	118.25
Brisket	3.8%	0.0%	30.875	28.5	26.125
Short Plate	8.3%	0.0%	67.438	62.25	57.063
Flank	5.2%	39.5%	42.25	39	35.75

Texas producers can likely feel comfortable selling wholes, halves, and quarters of live animals and utilizing the custom-exempt option, but for smaller shares beyond that, it may be questionable whether the custom-exempt option should be available. According to officials at the Texas Meat Safety Assurance Unit, many custom-exempt plants are unwilling to process beef with a significant number of owners, so that has prevented this from becoming a significant issue in Texas.

Whether selling an entire calf or a percentage of a carcass, producers should expect gross revenues similar to the wholesale beef market. Leaving the financial responsibility of harvest and processing in the hands of the customer means that the seller's share of the retail dollar is less. However, selling in the wholesale market does require less time and management expense on the seller's part. For example, selling a whole or a percentage requires no time for inventory management.

Custom harvest agreements

Producers considering selling a live calf for delivery to a custom slaughter facility should consider requiring customers to enter into a custom harvest agreement.

This agreement is simply a contract between the beef producer and consumer, laying out the terms of the sales agreement. It need not be overly complex, but it serves an important role of ensuring everyone is on the same page and protecting both parties should something go south. The following topics should be considered when drafting a custom harvest agreement.

- ▶ **Names and contact information of the parties.** List the names of the parties to the agreement and their contact information.
- ▶ **Description of the product being sold.** Be clear in the agreement that it is the live animal being sold to the consumer, not the processed beef. Clarify what percentage of the animal the customer is purchasing. For example, is the sale for a whole animal or one-fourth share of the animal? If selling a specific animal, be sure to include the ear tag number or other description of the animal.
- ▶ **How will payment be calculated?** Be clear exactly how the price for the animal will be calculated. Will it be a flat,

preset price? Will it be a per-pound price and, if so, will that be based on the live weight or hot carcass weight of the animal?

- ▶ **Educational information.** One thing many cattle producers find when beginning direct beef sales is the lack of education many consumers have about purchasing and cooking beef. This agreement may be a good place to include some of that information in order to avoid surprises later. For example, it may be helpful to explain the difference between live animal weight and boxed beef weight and manage expectations so that the consumer does not think that just because the calf weighs 1,200 pounds, there will be 1,200 pounds of boxed beef. Giving consumers a ballpark range of what calves typically weigh when delivered to the processor and what the typical yield percentage is can be helpful, with the caveat that these are only ballpark estimates and actual measurements and costs will be based on the specific animal. Information on how much freezer space is typically needed for a quarter, half, or whole beef may also be useful. Having a sample cut sheet for people to review may also provide added value.
- ▶ **When and how will payment be due?** Will a deposit be required? If so, when and how much? When will payment be due? What payment methods are accepted? Can a consumer pay by cash, check, card, or Venmo (or another app)? What is the result of failure to remit timely payment?
- ▶ **Processing fees.** Make sure the parties are clear on whether the processing fees are included in the selling price or whether the customer will be responsible for paying the processing fees directly to the processor.
- ▶ **Obligations of the parties.** Who will be responsible for delivering the animal to the custom processing facility? Who will pick up the beef once processing is complete? Who will pay the processing fee to the facility? Who will complete the cut sheet?
- ▶ **Reselling/donating meat from the animal is prohibited.** Make clear in the custom harvest agreement that the beef from this animal may not be resold or donated. This is based on the fact that any beef processed at a custom harvest facility may not be sold or donated, and the purchaser needs to be clear on that limitation.

- ▶ **Point at which the animal is property of the buyer.** Make clear at which point in time the animal officially becomes the property of the buyer. Certainly, this must be done at least by the point in time when the animal is delivered to the custom processing facility. But is it when the initial deposit is made? Is it when the animal is loaded into the trailer to head to the facility? This may be important if there is an injury or the death of an animal before it is delivered to the processing facility.
- ▶ **Dispute resolution clauses.** In the event of a legal dispute, the parties may wish to agree to dispute resolution. This would typically be either mediation or arbitration.
- ▶ **Choice of law/venue clauses.** When the parties may be from another county or state, the parties may want to agree on which state's law will apply to any legal dispute and determine where any lawsuit must be filed.

Selling individual cuts

This option is becoming more popular with direct beef sales businesses. Here, the producer has the calf slaughtered and processed and then sells individual cuts to the consumer. Instead of offering only a whole, half, or quarter of beef, this option allows the producer to offer individual steaks, roasts, packages of ground beef, or other cuts. Many producers selecting this option offer various packages of box options where people can purchase a box that includes various cuts. An example might be a grilling box that offers a tri-tip, two ribeyes, and two packages of hamburger patties. Again, this option offers pros and cons.

One benefit of this type of sales is that it expands the potential customer base beyond those people willing to purchase a large quantity of beef. It allows the producer to market to a person who may just want to purchase a couple of steaks for a special occasion, a brisket for Easter dinner, or several pounds of ground beef versus a quarter or more of an animal. One New Mexico producer we interviewed indicated that 90 percent of his customers seek individual cuts rather than larger percentages of an animal.

The downside of this approach is that it does come with more complications. First, beef to be sold in this manner cannot be slaughtered or processed in a custom-exempt facility. The use of custom-exempt slaughter is only available when the owner of the animal seeks that processing for his or her own household use. Here, it is the producer who owns the animal at slaughter, not the consumer who will consume the meat. This means that the various inspection requirements discussed in Chapter 4 would apply.

If the producer's goal is to access more of the retail sales dollar, selling retail cuts usually offers the greatest share as the producer owns the production, processing, and sale of that animal and its products and reaps the profits (or losses) at each stage. However, chasing the profits at each stage of beef production also exposes a business to losses along the way. This is the negative side of the "go-big-or-go-home" system; sometimes, a business winds up going big and going home. It is rare that the cow-calf, feeding, and

packing sectors make money at the same time. Ownership beyond the live stage of any kind adds risk. In addition to some of the challenges with pricing when selling halves and quarters, inventory management for the sale of retail cuts is significant. High-value cuts come from the middle meats, i.e., the rib and loin, which collectively represent 25 percent of total carcass weight, including the ground meat from those cuts. Ground beef, a low-value product, can represent anywhere from 25 to 35 percent of the final carcass weight. When selling retail cuts, managing those discrepancies will be key to moving products and keeping overhead low. A consideration to keep in mind is how one will ensure various cuts will be sold. Restaurants may be standing in line to buy the steaks, but a producer may have a harder time selling chuck roasts, tenderized round, and ground beef. Having a plan for how to deal with this before a producer finds herself stuck with a freezer full of difficult-to-sell cuts is critical. Every producer we interviewed who has a business selling individual cuts reported that managing the inventory in a way to avoid this issue as being the most challenging part of their business.

One critical consideration here is how to have beef processed. There are a variety of ways to have beef cut and processed, so understanding these options and choosing the best one for a specific business is extremely important. Visiting potential slaughter facilities can be extremely helpful in understanding the different options and choosing what works right for a particular business. Chapter 11 addresses wholesale and retail cuts in more detail.

Clint Sons
115 W. 3rd
White Deer, TX 79097
806-883-7831
www.clintandsons.com

Name: _____
Address: _____
City/St/Zip: _____
Phone: _____

Whole 1/2 1/4

<u>Cuts</u>	<u>Circle one option</u>	<u>Thickness</u>	<u>Pcs. Per Pkg.</u>
Round Steak	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>	Tenderize	
Loin Tip	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>	Tenderize	
Sirloin /or/ Top Sirloin	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>		
T-bone /or/ KC Strip	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>		
*Filet Mignon	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>		
Ribeye /or/ Club	<u>Roast</u> or <u>Steak</u> or <u>Hamburger</u>		
Chuck Roast	<u>All</u> or <u>Best only</u> or <u>Hamburger</u>		
Arm Roast	<u>All</u> or <u>Best only</u> or <u>Hamburger</u>		
Rump Roast	<u>Roast</u> or <u>Hamburger</u>		
Heel of Round	<u>Roast</u> or <u>Hamburger</u>		
Brisket	<u>Whole</u> or <u>Cut 1/2</u> or <u>Hamburger</u>		
Short Ribs	<u>All</u> or <u>Best only</u> or <u>Hamburger</u>		
Soup Bones	<u>Yes</u> or <u>Hamburger</u>		
Tri-Tip	<u>Whole</u> or <u>Hamburger</u>		
Skirt Steak	<u>Whole</u> or <u>Sliced</u> or <u>Hamburger</u>		
Flank Steak	<u>Whole</u> or <u>Sliced</u> or <u>Hamburger</u>		
		<u>Total Lbs.</u>	<u>Lbs. per Pkg</u>
Stew Meat	<u>Yes</u> or <u>No</u>		
Chili Meat	<u>Yes</u> or <u>No</u>		
Patties (Adds 89¢ per lbs.)	<u>3-1 (3rd lb.)</u> or <u>2-1 (Half lb.)</u>		
Bulk HB		REST	

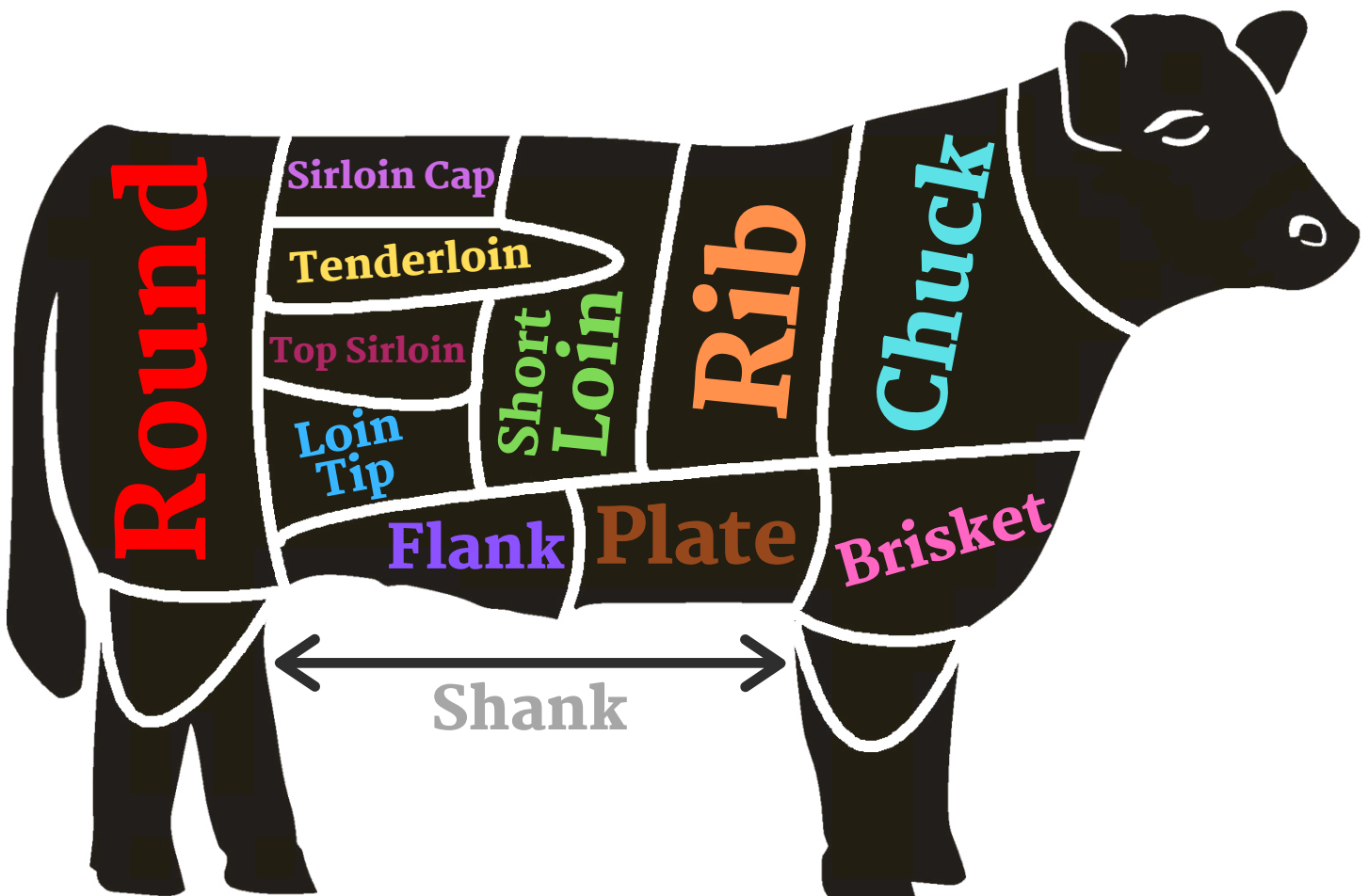
Notes: _____

* You only get separate Filet steaks if you do KC Strips and Top Sirloin Steaks, otherwise its left on the bone-in steaks

Whole Beef Cuts

*approximate, based on 600lb Whole

- **Round Steak** - 40 packages
- **Loin Tip** - 16 packages
- **Top Sirloin** - 14 steaks
- **Sirloin Cap** - 6 packages
- **KC Strip** - 24 steaks
- **Filet Mignon** - 14 steaks
- **Ribeye or Club** - 24 steaks
- **Chuck Roast** - 10 roasts
- **Arm Roast** - 4 roasts
- **Rump Roast** - 2 roasts
- **Heel of Round** - 2 roasts
- **Brisket** - 2
- **Short Ribs** - 20 packages
- **Soup Bones** - 16 packages
- **Tri-Tip** - 2
- **Skirt Steak** - 4
- **Flank Steak** - 2
- **Hamburger** - 120 lbs





CHAPTER 3: WHO AND WHERE IS THE INTENDED MARKET?

While market analysis is certainly important in any business, it is especially critical in direct beef sales because the location of the consumer dictates which regulations and rules apply. Take time to identify who and where the intended market is located. Additionally, spend time considering how best to market to target consumers and how to best differentiate the product.

Estimating market size

In an age where every product is marketed through social media, producers can utilize those same platforms to estimate market size. In discussions with producers who have been successful in direct marketing beef, we found that the majority got their start using the custom-exempt method and promoting their products using word of mouth. The most common business progression in direct beef sales has, anecdotally, taken the following path:

- ▶ Utilizing custom exemption to raise and eat beef within the producer's own household
- ▶ Using the custom-exempt enterprise to sell to relatives and close friends who approach the seller and ask to purchase beef
- ▶ Growing the use of the custom-exempt enterprise to sell calves to a larger group of customers outside of the producer's close circle, usually utilizing low-cost advertising like social media
- ▶ A small portion choose to market retail cuts and to adopt a capital- and labor-intensive enterprise of having calves slaughtered at inspected facilities, packaging, advertising through numerous channels, and selling products online or through a retail storefront

The most cost-effective way to estimate market size is to begin advertising a limited number of calves for sale in the custom-exempt setup through inexpensive means like social media. If those calves are quickly spoken for, it means one of two things: (1) the price for the calves is too low, or (2) the demand for the calves still exists. Consider offering another round of calves in the same year or an incremental increase in the number of calves for sale the following year. Repeat the process until it becomes problematic to sell all the calves directly, at which point consider either maintaining that operational size or paying to utilize other advertising methods.

The strategy of incremental growth to estimate market size is cheap because if a producer is unable to sell all the calves directly to consumers, there is still the option to market them in traditional channels, albeit likely at a lower return than direct-to-consumer sold beef. Unfortunately, utilizing incremental growth to measure market size may take a long time.

A more technical method of estimating market size follows five steps.

- ▶ **Defining the target customer:** Customers who have purchased or have considered purchasing beef sold directly from producers.

- ▶ **Estimating the number of existing target customers:** The number of customers with a profile similar to the target in the area in which the business is located or chooses to ship or deliver.
- ▶ **Determine a product penetration rate:** The penetration rate is the rate of uptake for the product within the existing target customers. Food penetration rates are relatively low; numerous alternatives exist, and directly sold beef is a highly specialized product.
- ▶ **Calculate potential market size, both volume and value:** Multiply the number of target customers by the penetration rate to identify expected customers. Then, multiply that figure by the expected purchase and/or the total expected value of the purchases.
- ▶ **Utilize the data in decision making:** The total expected volume can inform the number of head marketed through direct beef sales, and the total expected value can inform financing and business planning decisions.

Choosing promotional tools and strategies

Promotion is most effective when it is sustained for an extended period and when a customer is reached multiple times through multiple methods. Traditional marketing courses teach that a customer must interact with a product at least seven or eight times prior to purchase. The world of social media and digital ecosystems has created advantages and disadvantages. It is not unusual to see seven or eight promotions for a product in a single day now.

Keep in mind that promotion and advertising are not the same. Promotional strategies are made up of multiple promotional tools with the goal of directing customers to a marketplace. In this era, that marketplace is most likely a website. Advertising is a type of promotion tool, of which there are many.

- ▶ **Advertising:** Advertising is communicating a message to consumers that promotes and/or sells a product. In the digital age, advertising has become incredibly cost-effective and, in some cases, totally free. Social media platforms like Facebook, Twitter, Instagram, and TikTok attract trillions of views daily, and all of them allow a producer to develop messaging to promote a product for free. Most of them also offer paid services that get posts in front of more eyes. Do not forget that part of the value direct beef sales offer to customers includes the producer's story. Successful marketers in this space recommend sharing personal stories along with information about the actual product.
- ▶ **Direct engagement (digitally or in-person):** This can include services like email subscriptions, direct messages through social media, or passing out brochures and business cards. A few tips include using a website with a popup that encourages enrollment in an email listserve and using both sides of a business card. QR codes are also a convenient way to direct customers directly to a website or other digital resources while directly engaging with them in person.

- ▶ **Pricing:** Believe it or not, pricing is a critically important promotional tool. Sales or seasonal bundles offer savings to existing customers or convenient hooks for first-time customers. Businesses selling through the custom-exempt process or percentages of a carcass, can offer a price comparison sheet to show customers the value of buying beef “in bulk” versus the same amount of retail cuts at a grocery store.
- ▶ **Events:** Hosting promotional events or providing the beef for other local events is a great way to introduce one’s product to customers. Be sure to follow the rules for food service and keep in mind that beef served to the public must be inspected, meaning cattle harvested at a custom-exempt facility do not qualify.
- ▶ **Donations and/or giveaways:** Donating a full carcass or percentages of a carcass as a prize at events or as part of a fundraiser are excellent promotional strategies to consider when engaging with the community. As mentioned earlier, giveaways and drawings could help with inventory management and give customers a sense of savings, even when the business priced the cost of the giveaway into a budget elsewhere. Be sure to follow the rules for food service and keep in mind that beef served to the public must be inspected, meaning cattle harvested at a custom-exempt facility do not qualify.
- ▶ **Promotional alternative merchandising:** People love caps and t-shirts—combined with a recognizable logo, they can serve as billboards to the public, advertising a business or product. Consider selling each or using them as giveaway prizes. Creative beef merchandise can also serve as a promotional strategy. Once a loyal customer base exists, it will love the idea of a “limited-time offer” on a further processed product like beef jerky. Using limited time offers on further processed products has the added advantage of testing the market for potential home run products without the risk of over-investing. Keep in mind that selling further processed products may require additional or different permits from the DSHS.
- ▶ **Product differentiation:** Having a way to differentiate one’s product from all other available beef is critical. There could be any number of ways to do this. Some people rely on quality—they market their steaks as just being flat out better than anyone else’s. Some rely on particular production practices, such as grass-fed. These practices do not have to be tangible and may not even affect the beef at all. In her book, *How to Direct Market Your Beef*, Jan Holder says that many of their customers purchased their beef because they did not kill predators on their ranch. Clearly, predator management has little to no impact on the quality or taste of the beef, but it is something certain consumers care enough about to be willing to pay more for. Jeremy and Britt Fisk at Bell Road Beef have found success in marketing their beef as coming from a family operation. Showcasing their children on the ranch via social media has helped build their customer base, who would prefer to support the family they see online rather than the grocery store when purchasing beef. Do keep in mind, however, that there

are legal considerations when making any claims. For example, claims made on a label will likely require federal or state approval, and claims made on labels, websites, or other advertising material must be truthful.

There is no one-size-fits-all approach to promotion. Producers should find a set of strategies that fit the operation and find a way to utilize them effectively. Be sure to evaluate all promotional strategies financially, using the same method that will be used to evaluate label claims discussed in Chapter 5. If the marginal revenue generated from a strategy exceeds the marginal cost, the strategy is profitable. Otherwise, consider investing promotional dollars in a different way.



CHAPTER 4: SLAUGHTER FACILITY SELECTION

Perhaps the most important legal issue to consider and understand is what type of slaughter facility is suitable for a particular business. There are five types of slaughter facilities: federally inspected, state inspected, Talmadge-Aiken, custom-exempt, and the cooperative interstate shipping program.⁴

On the national level, the slaughter and processing of livestock are governed by the Federal Meat Inspection Act, which is implemented by the FSIS having authority over meat products that will be offered for sale. This authority may be delegated to a state agency if the state applies for such authority and creates state-level requirements that are at least equal to the federal requirements enforced by FSIS.

Types of slaughter facilities

All meat products intended for commercial sale must be inspected. The particular type of inspection necessarily depends on where the slaughter occurred and where the meat will be sold.

Federally inspected: A federally inspected facility is inspected by FSIS employees.

The federal inspector must be present at all times when the plant is in operation. All federal requirements must be followed. A facility must meet all of the applicable food safety standards and specifically request a federal inspection in order to become federally inspected. Products receive a federal inspection stamp, allowing them to be sold within the state, interstate, or exported.



State-inspected: As noted above, states may apply for state inspection authority. Currently, 27 states have a state-level meat inspection program, including Texas.⁵ For state-inspected facilities, a state inspector must always be present when the plant is operating. Meat processed in a state-inspected facility will receive a state inspection stamp and may be sold in intrastate commerce. Beef from a state-inspected facility may not be sold in any state other than where the slaughter occurred.



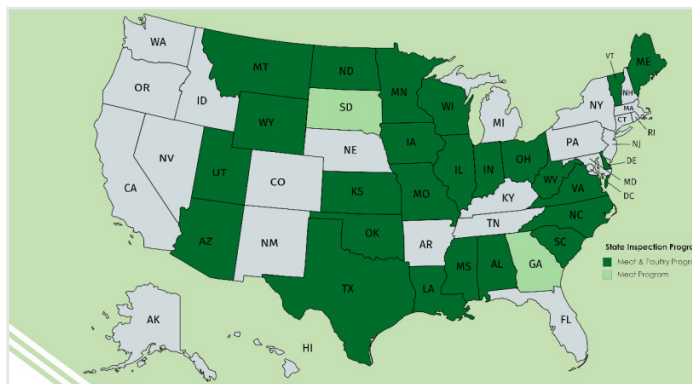
In order to create a state inspection program, the state enters into an agreement with USDA-FSIS to create an MPI program. The state inspection standards must be at least equal to the federal standards.

⁴ For more information on the laws and regulations related to slaughter facilities, the National Agricultural Law Center did a recorded webinar available at [Slaughter and Processing in the United States: An Overview of Process and Requirements - National Agricultural Law Center \(nationalaglawcenter.org\)](http://nationalaglawcenter.org/Slaughter-and-Processing-in-the-United-States-An-Overview-of-Process-and-Requirements).

⁵ Elizabeth R. Rumley & James Wilkerson, Meat Processing Laws in the United States: A State Compilation, The National Agricultural Law Center, available at <http://nationalaglawcenter.org/state-compilations/meatprocessing>.

In Texas, a state-inspected facility must obtain a “Grant of Inspection” from the Texas Department of State Health Services (DSHS) and must meet applicable food safety standards.

Keep in mind that products must be sold in the same state where they were slaughtered to be considered “intrastate.” Where this may cause an issue is if a producer lives in a different state than the slaughter facility. For example, say a producer living in New Mexico near the Texas/New Mexico border travels to Texas to have cattle slaughtered. That beef may be sold intrastate in Texas, where it received the state inspection stamp, but it may not be sold intrastate in New Mexico, even though that is where the producer resides.



Talmadge-Aiken: A Talmadge-Aiken facility (also known as a “federal-state cooperative inspection program”) is a federally inspected plant, but the inspection is done by state personnel. One inspector explained it as, “the only difference is who puts on the white jacket in the morning.” The inspector must always be present when the facility is in operation. Thus, the facility must follow federal requirements, and products receive a federal stamp of inspection. With that federal stamp of inspection, products may be sold within the state where the slaughter facility is located, in other states, or even exported to other countries. Note, however, that there are no Talmadge-Aiken slaughter facilities in Texas. There are only Talmadge Aiken processing facilities.

Custom-exempt: A custom-exempt facility is exempt from both federal and state inspection and is not required to comply with certain FSIS regulations. For example, there is no requirement that an inspector be present while the plant is operating. Instead, only periodic inspections are conducted. Importantly, however, custom-exempt facilities are required to meet the same sanitation requirements as state- and federally inspected plants, must follow federal humane slaughter laws, and must follow detailed record-keeping requirements.

For beef slaughtered in a custom-exempt facility, the permitted uses are very limited. Beef may only be used for: (1) the owner raising the livestock; (2) members of the owner’s household; (3) non-paying household guests; and (4) household employees. Beef slaughtered in a custom-exempt plant cannot be sold or donated.

The products must be stamped “not for sale.” Essentially, FSIS views a custom-exempt facility as providing a service for the livestock owner rather than producing a commercial product.⁶

As discussed in Chapter 2, one way for a producer selling beef to a consumer to utilize a custom-exempt processing facility is for the producer to sell the live animal to the consumer prior to slaughter. This sale makes the consumer the owner of the animal, which thereby qualifies for custom-exempt slaughter.

Remember that some inspected plants may also do custom-exempt processing for beef.⁷ Some have certain days of the week when the inspectors are present, allowing for state or federally inspected slaughter and other days where they only do custom-exempt slaughter. Others may do custom-exempt slaughter after hours in the evenings. Be sure to check with any potential facilities about the different types of slaughter they may offer.



Cooperative interstate shipping program: One relatively new option in certain states is the FSIS Cooperative Interstate Shipping (CIS) Program. This program allows state-inspected plants to operate as federally inspected facilities under certain conditions. The benefit of this is that beef slaughtered and processed in these state-inspected plants would receive a federal stamp of approval and could be sold in interstate commerce.

⁶ See United States Department of Agriculture, *Summary of Federal Inspection Requirements for Meat Products* (September 2015), available at https://www.fsis.usda.gov/sites/default/files/media_file/2021-02/Fed-Food-Inspect-Requirements.pdf.

⁷ Note that this is allowed for plants processing red meat such as beef, pork, and lamb, but poultry-processing plants are prohibited from both custom-exempt and inspected slaughter.

The CIS Program is limited to the 27 states that have established a state inspection program. Of those, currently, only nine are participating in the CIS Program: Indiana, Iowa, Maine, Missouri, North Dakota, Ohio, South Dakota, Vermont, and Wisconsin. Note that although Texas does qualify as one of the states with a state inspection program, it is not currently participating in the CIS Program. It does not appear, at least at the time of this publication, that Texas will be enrolling in the CIS Program in the near future.

Additionally, in participating states, not all state-inspected plants will qualify for the CIS Program. To be considered, a plant must meet three requirements: (1) employ fewer than 25 people; (2) have an adequate food safety system; and (3) meet appropriate facility standards.

Locating and selecting a slaughter facility

An important starting place for most producers is to determine what slaughter facilities are nearby and investigate what type of plant they are. DSHS maintains a list of custom-exempt, state-inspected, and Talmadge-Aiken facilities in Texas: <https://dshs.texas.gov/meat/find-an-establishment.aspx>. The complete list of Texas facilities at the time of book publication is included in Appendix 3.

TYPE OF PLANT	INTERSTATE SALES?	INTRASTATE SALES?
Federally Inspected	Yes	Yes
State Inspected	No	Yes
Talmadge-Aiken	Yes	Yes
Custom Exempt	No	No
Cooperative Interstate Shipping Program	Yes	Yes

The FSIS maintains a directory of all federally inspected facilities in the United States: <https://www.fsis.usda.gov/inspection/establishments/meat-poultry-and-egg-product-inspection-directory>. A list of federally inspected beef facilities at the time of publication is included in Appendix 4. For anyone looking for information on other states, the National Agricultural Law Center has a compilation that includes laws and contact information for state officials in charge of both custom-exempt and inspected facilities: <http://nationalaglawcenter.org/state-compilations/meatprocessing>.

After identifying which plants are options in terms of location and type of facility, there are several additional considerations to keep in mind.

First, be sure to determine whether the facility does slaughter, processing, or both. This may influence facility selection if a producer wants to have both slaughter and processing done at the same location.

Second, producers should determine what type of availability the plant has for slaughter dates. In the past couple of years, especially during the height of the COVID-19 pandemic, many plants were booking slaughter dates out a year or more. Additionally, availability will likely also depend on how many head of cattle a producer plans to slaughter at one time.

Determining available dates and getting scheduled—both initially and for the future—is a key step to take.

Another important consideration when scheduling slaughter dates is to keep in mind withdrawal periods for any medications that have been administered to cattle. Producers should keep detailed records of any medications given and be sure to check the calendar prior to administering medication to ensure there will not be an issue with withdrawal times.

Fourth, many of the producers we interviewed suggested taking time to investigate various plants prior to deciding. For example, take the time to go tour the plant and meet with the operators, see their setup, tour the killing and processing floor, see how they cut carcasses, determine whether they offer quality or yield grading, and ask to see the packaging materials they use. If possible, have one or two animals processed as a sort of test run with potential facilities prior to making the selection of which to use.



CHAPTER 5: LABELING CONSIDERATIONS AND MARKETING CLAIMS

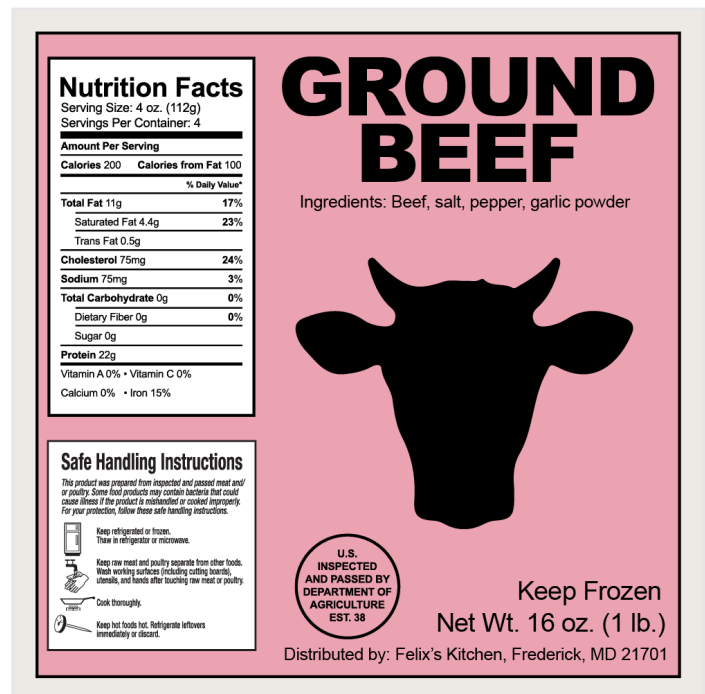
After selecting a slaughter facility, producers must consider how the beef will be labeled. Surprisingly, labeling of beef products for sale is one of the more complicated areas when directly marketing beef to consumers. All retail meat is required to have certain features included on a label. From there, however, the rules can differ based on where the animal was slaughtered. Thus, the first step in this analysis is to determine where the cattle will be slaughtered and processed. If the producer is using a federally inspected facility, then the FSIS federal requirements apply. If the producer is using a state-inspected facility, state requirements will likely apply. In Texas, these are the requirements from DSHS.

The FSIS has primary authority for meat product labeling. Keep in mind, a “label” includes not only the information affixed to a product, such as a sticker, but it also includes any accompanying material not attached to the product, like point-of-purchase materials. For example, if a business had advertising materials or signage they set up at a farmers’ market where they sell their beef, that would also be considered part of the “label” and subject to the USDA requirements. Although the FSIS rules apply to these materials, sketch approval, as discussed below, is not required unless the materials are shipped with the product.

FSIS has a helpful publication, *A Guide to Federal Food Labeling Requirements for Meat, Poultry, and Egg Products*, available at https://www.fsis.usda.gov/sites/default/files/import/Labeling_Requirements_Guide.pdf. This guide includes a checklist for someone beginning to design a label. The checklist includes the following suggestions:

- ▶ Begin the design with the mandatory labeling features required by FSIS regulations.
- ▶ Comply with each placement and prominence requirement for the mandatory features.
- ▶ Review label information, including brand names and other claims to determine if regulated terms are included.
- ▶ Determine if any standards of identity terms are used and ensure compliance.
- ▶ Make sure ingredients/components are listed in the ingredient statement (if more than a single ingredient).
- ▶ “Novel or innovative products that trigger unique labeling issues should not be submitted to be evaluated by FSIS staff as part of the sketch-approval process. Instead, they should be addressed through direct contact with the staff. Firms should build into the product launch schedule the time necessary to allow for agency consideration of policy issues.”
- ▶ Review ingredients statement for accuracy and completeness. Consult ingredient suppliers to obtain all pertinent information.
- ▶ Keep labeling files complete and current, including generic approvals, allowable modifications, and final approvals.

- ▶ Consult the FSIS website, regulations, directives, and other policies referenced in the Guide.
- ▶ Do not use inaccurate labels unless temporary approval is obtained.



Required label contents for retail beef

There are up to eight features required to be included on retail beef products. These required features are (1) product name, (2) inspection legend, (3) address line, (4) net weight, (5) ingredient statement, (6) handling statement, (7) nutrition information, and (8) safe handling instructions. This information must be included on either the principal display panel or the information panel, as noted below. The principal display panel is essentially the main label on a product. The information panel is the part of the label typically contiguous to the principal display panel or sometimes on the back of the product.

- ▶ **Product name:** The name must accurately define the product in the package. An example of this is “ground beef” or “T-bone steak.” This must be included on the principal display panel. Common or usual names may be utilized, such as “beef round” or “beef sirloin steak.”
- ▶ **Inspection legend:** The inspection legend must be displayed on the principal display panel and must include the establishment number assigned to the processing facility. Beef slaughtered and processed in a USDA inspected facility will have a USDA inspection stamp, while beef slaughtered and processed in a state-inspected facility will have a state inspection stamp.
- ▶ **Address line:** The contact information for the distributor, packer, or manufacturer shall be included on the label.
- ▶ **Net weight:** The net weight must be included on the principal display panel.

- ▶ **Ingredient statement:** For products with two or more ingredients, they must be listed. Ingredients are listed in order of the amount of the ingredient in the final product. For example, if beef, water, salt, and spices are used to make summer sausage, these would be listed on the label.
- ▶ **Handling statement:** Products that require specific handling to maintain their safety, like meat, must include instructions for doing so. For beef, this typically includes "keep frozen" or "keep refrigerated."
- ▶ **Nutrition information:** A nutrition label must appear on either the front panel or a separate label on the packaging. The USDA requires this information on all products to be sold to consumers, except for products including only one ingredient, which exempts most directly sold beef products.
- ▶ **Safe handling instructions:** Safe handling and cooking instructions are required for a beef product that is raw or partially cooked.
- ▶ Federal labeling requirements

USDA-FSIS has a program called askFSIS that allows producers to ask questions related to meat inspection and policies. They have hundreds of frequently asked questions and a form for producers to submit their own specific questions as well. Check it out at <https://www.fsis.usda.gov/contact-us/askfsis>.

Producers must obtain approval from FSIS for the label that will be affixed to their beef. This can be done in one of two ways: (1) submitting a sketch for FSIS approval or (2) using a pre-approved generic label.

The [FSIS Compliance Guidance for Label Approval](#) is an extremely helpful, easy-to-read guide provided by USDA-FSIS to help producers understand the label approval process.

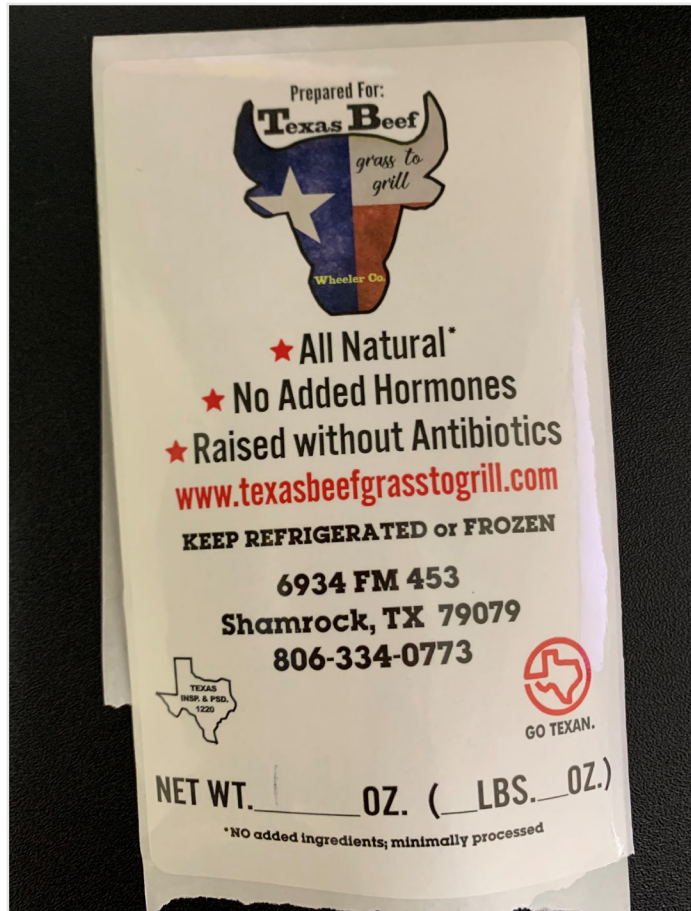
- ▶ FSIS-approved sketch

There are four types of labels that must be submitted through the FSIS Label Submission and Approval System (LSAS). These are (1) labels for religious exempt products, (2) labels for export with deviations from domestic requirements, (3) labels with special statements and claims, and (4) labels for temporary approvals. For most beef producers, it is specialty statements that come up and require this type of approval.

Specialty claims include, but are not limited to, the following:

- ▶ Animal production claims (i.e., no added antibiotics, no hormones added, raised without antibiotics, grass-fed)
- ▶ Breed claims (i.e., Hereford, Angus, Certified Angus)
- ▶ Certified claims (i.e., certified organic)

- ▶ Certified state programs (i.e., certified product of Texas)
- ▶ Environmentally raised
- ▶ Family farm-raised
- ▶ Farm-raised
- ▶ Humanely raised
- ▶ Implied nutrition claims (i.e., heart-smart)
- ▶ Local claims (i.e., locally raised, grown locally)
- ▶ Natural claims (i.e., all-natural, 100% natural)
- ▶ Negative or free claims (i.e., no additives, additive-free)
- ▶ Nutritional fact statements (i.e., 0 grams of carbohydrates)
- ▶ Organic claims
- ▶ Paleo claims
- ▶ Pasture-raised
- ▶ Real ingredients
- ▶ State endorsement programs with a geographic emblem design (i.e., Go Texan with the map of Texas)
- ▶ Sustainability claims
- ▶ Symbols on the label (i.e., arrows, checkmarks)
- ▶ Third-party program claims (i.e., American Grassfed Association)
- ▶ US Farm Fresh



For these types of special claims, a business must obtain LSAS approval. Producers should communicate with their processor, as it is the processor who will be affixing the label. Good slaughter and processing facilities may be able to help a business to better navigate this process given their experience.

A business must submit its sketch and a label application to LSAS. The sketch may be a printer's proof, a computer-generated image, a hand-drawn original image, or a copy image. It must clearly display the label's features, size, and location on the product. Producers must also include supporting documentation as part of the labeling record. This documentation should help verify the special statements and claims included on the label are truthful and not misleading. FSIS has a helpful labeling guide outlining the various documentation needed to support these types of claims available at <https://ucanr.edu/sites/nichemarketing/files/340872.pdf>. Some of the most common supporting materials include an affidavit or written testimony supporting the truthfulness of the claims, description of the producer's procedures and systems to segregate conforming and non-conforming products (such as how antibiotic-free animals are kept separate from those treated with antibiotics), production protocols, feed formulation information, and any third-party verification or certification information.

The label request may be submitted online or by mail. According to a couple of plants we talked to, obtaining this approval currently takes a month to 6 weeks.

The USDA – FSIS has a [number of guidelines](#) related to product labeling.

Generic approved label

Generically approved labels are submitted to and approved by the USDA-FSIS agent located at the processing facility. Importantly, the statements that may be included on a generally approved label are extremely limited. No specialty claims are allowed.

FSIS lists the following statements as included in those which may be generically approved:

- ▶ 100% American farms
- ▶ All, 100%, pure
- ▶ Aged/dry-aged
- ▶ AMS grading (i.e., prime, choice, select)
- ▶ Artisanal
- ▶ Awards (i.e., Good Housekeeping Seal)
- ▶ Better is Possible
- ▶ Country of origin statements
- ▶ Farm to Fork
- ▶ Free

- ▶ Fresh
- ▶ Fresh in connection with other descriptors (i.e., farm-fresh, fresh meats, farm-fresh meats, premium fresh)
- ▶ Guarantees
- ▶ Healthy ideas logo
- ▶ Homestyle
- ▶ Made in the USA
- ▶ New, new and improved
- ▶ Premium
- ▶ Processed in the USA
- ▶ Product of the USA
- ▶ State endorsement programs without an emblematic geographic design such as “Kentucky proud”
- ▶ Wholesome from the beginning

Do keep in mind that while these claims may be generically approved, meaning they do not have to be submitted to LSAS and may be approved by the FSIS personnel at the slaughter or processing facility, they must be truthful. For example, a business may not label their own beef as “choice” or “prime” unless the beef was actually graded as such by a USDA inspector.





USDA-defined terms

Keep in mind that USDA specifically defines certain terms. Before using one of these specifically defined terms, producers should ensure their product meets the USDA definition. Depending on the specific claim made, there will be differing requirements and verifications required by USDA. This section will discuss a few of the most relevant terms below, but the USDA maintains a glossary of defined terms on its website, available at <https://www.fsis.usda.gov/food-safety/safe-food-handling-and-preparation/food-safety-basics/meat-and-poultry-labeling-terms>.

Here are some of the most common terms that may be relevant to beef producers:

- ▶ **Grass-fed:** There is currently no general USDA definition of the term “grass-fed.” There is currently only one USDA grass-fed marketing claim (which is limited to small and very small producers—those who market 49 cattle or fewer annually—whose cattle are fed only grass or forage, with the exception of milk consumed prior to weaning),⁸ but producers can receive approval for a grass-fed label through the FSIS labeling process without USDA certification. Importantly as discussed elsewhere, this claim must be truthful, and the producer should have adequate documentation in order to prove this (and any other) claim. There are also grass-fed certification programs available through American Grassfed, Food Alliance, and Animal Welfare Approved. Each of these certification programs has their own requirements that must be followed.
- ▶ **Natural:** A product containing no artificial ingredient or added color and is only minimally processed. Minimal processing means producing in a manner that does not fundamentally alter the product. The label must include a statement explaining the meaning of the term natural such as “no artificial ingredients” or “minimally processed.” Importantly, note that this claim does not deal with any production practices, but only with actions taken after slaughter.

- ▶ **No antibiotics added:** This may be used on labels if the producer provides sufficient documentation showing the animals were raised without antibiotics.
- ▶ **No hormones administered:** This may be approved by USDA if the producer provides sufficient documentation showing no hormones have been used in raising the animals.
- ▶ **Organic:** Organic products must be produced using agricultural production practices that foster resource cycling, promote ecological balance, maintain and improve soil and water quality, minimize the use of synthetic materials, and conserve biodiversity. Products must be overseen by a USDA National Organic Program authorized certified agent following all USDA organic regulations; produced without any excluded or prohibited methods; and produced using allowed substances. There are very specific requirements for livestock dealing with issues regarding treatment of illnesses, allowable feeds, and rules regarding confinement. For more information, visit <https://www.ams.usda.gov/rules-regulations/organic/labeling#what%20requirements>.

State-inspected labeling requirements

In Texas, the Meat Safety Assurance Unit of DSHS administers the labeling program for state-inspected facilities. Unlike the federal approach, there is no generic approval for state-inspected beef. Instead, all labels must be submitted to DSHS for approval.

This submission is made through the inspected plant that the producer intends to use for slaughter and processing. The producer will provide their desired label to the plant. The plant will complete a Z1 label application form, which must be signed by the state inspector. Then, the plant will submit the label, application form, and any accompanying documentation to DSHS for approval.

Importantly, if any special claims are made (production claims like grass-fed, no antibiotics, etc.), supporting documentation must be provided to DSHS. According to the DSHS labeling department, people often fail to submit this documentation with the label application, which will only delay the process.

⁸ USDA Agricultural Marketing Service, Grass Fed Small Very Small Producer Program, available at <https://www.ams.usda.gov/services/auditing/grass-fed-SVS>.

AVERAGE DIRECT-TO-CONSUMER PRICE (\$/LB.)			
RETAIL CUT DESCRIPTION	GRASS-FED	NON-GRASS-FINISHED BEEF	GRASS-FED PREMIUM (\$/LB.)
Ribeye Steak	\$26.68	\$8.86	\$17.82
Ribeye Roast	\$23.45	\$9.91	\$13.54
Chuck Roast	\$10.48	\$2.72	\$7.76
Sirloin Steak	\$16.79	\$9.11	\$7.68
Brisket	\$10.50	\$4.25	\$6.25
Skirt Steak	\$17.37	\$9.94	\$7.43
Short Ribs	\$9.00	\$7.21	\$1.80
Stew Meat	\$10.38	\$6.38	\$4.00

The required materials mirror those for federal label approval and may include affidavits, proof of practices or procedures, and the like.

Plants report that state label approvals are often far faster than FSIS approvals and are often received within 48 hours. DSHS indicates that plants almost always have a response within a week of submission.

Costs and benefits: An example with grass-fed beef

An entire book could be written on the economics of marketing claims alone. Some producers might even consider selling cattle that only grade prime as a marketing claim. The question is, however, does the revenue generated from these marketing claims compensate a business adequately to justify the additional costs to make these marketing claims? For example, consider an operation switching from non-grass-finished beef to grass-fed beef. There are plenty of reasons to raise grass-fed beef. This resource will focus on the economic reasons.

Grass-Fed Production and Sale Assumptions

Consider the data from a recent *National Grass Fed Beef Report*, published by USDA-AMS. For these cuts, grass-fed beef was priced 127 percent higher than non-grass-finished beef. Premiums for grass-fed beef are well-established in the literature and are borne out in the market.

Assume that the weighted average price for grass-fed retail cuts across the board commands a modest premium of 50 percent compared to non-grass-finished beef, a value of \$8.25 per pound. To update the custom harvest enterprise budget in Chapter 11, simply replace \$5.50 with \$11.00 as the value per pound sold.

For the sake of simplicity, assume that the theoretical grass-fed enterprise does not undergo certification, though the Grass Fed Small & Very Small Producer Program does exist as a certification process for grass-fed beef raised on farms with 49 head or fewer. There are other, more significant costs to consider when thinking about the transition to a grass-fed enterprise. Additionally, larger animals mean more wear and tear on equipment, the need for additional equipment, and potentially the need for more separation of livestock.

Profit will be pressured downward by two significant forces in any move from producing non-grass-finished beef to producing grass-fed beef.

► The need for more forage resources or fewer cows.

Retaining calves on grass all the way to slaughter weight means that additional animal units will be grazing the same amount of forage resources. The only way to balance forage supply with growing forage demand is to supplement forage resources with pasture management and hay or to lease and/or purchase additional space to graze. The alternative option is to lower stocking rates, which is a complicated and dynamic decision in the first place.

For simplicity of the example, assume that the non-grass-finished beef herd is cut by two-thirds to support the grass-fed enterprise. The logic here is that a full herd of 1,200-pound cows on a given amount of acres will wean a similar number of calves (adjusted for death loss, culled cows, and retained heifers), meaning a halving of the herd will yield roughly the same number of animal units when the calves in that calf crop are at their peak size. However, the herd must be further reduced to account for the overlap of the first calf crop and the second calf crop. Lower average daily gain on grass than on grain means that time to finish for grass-fed calves will have finishing weight calves on pasture while cows are lactating for the subsequent calf crop.

The dynamics of forage management, matching forage demand with supply, and managing stocking rates are vastly more complicated, but this simple math will illustrate the concept. Visit with animal scientists, agronomists, and range specialists to better understand stocking rates and forage needs if considering a grass-fed system.

To update the custom harvest enterprise budget in Chapter 11 for the change in the number of cows, simply replace the number of head sold to 42, representing a third of the calves available for custom harvest and sale when compared to a commodity beef enterprise on the same land. Adjust the remainder of the budget values accordingly. For a more precise calculation, it is worth adjusting the individual enterprise budgets all the way back to the cow-calf level.

► **The average dressing percent is lower for grass-fed beef than for grain-finished beef, and finished weights are typically lower.** Grass-finished calves will typically have a dressing percentage ranging from 53 to 58 percent compared to 62 to 64 percent for commodity beef. The larger rumen associated with extended grazing means that the percent of live weight lost to offal is larger than in non-grass-finished beef. Additionally, grass-fed calves typically finish at lower weights. If a grain-fed steer is finished at 1,300 pounds, a safe analogue for a grass-finished steer is 1,100 pounds. Both forces represent a significant change in the weight of product available for sale.

To update the custom harvest enterprise budget for grass-fed beef in Chapter 11, adjust the quantity charged for slaughter cost and cutting, wrapping, and freezer cost from 850.5 pounds to 610.5 pounds (representing the loss in dressing percentage). Correspondingly, the pay weight (chilled, bone-out weight) should be changed from 578.34 pounds to 415.14 pounds. Adjust the rest of the budget totals accordingly.

Marginal revenue versus marginal cost rules

Comparing new values for revenues and costs for the transition to grass-fed beef can shed light on whether transitioning from producing non-grass-finished beef to producing grass-fed beef is financially feasible. Utilizing the updated grass-fed revenue and cost figures:

*Total Revenue=(Pounds Sold*Price Per Pound)*Number of Head*

Total Revenue= (415 Pounds\$8.25 Per Pound)*42 Head=\$143,846*

Total Costs=Purchase Cost+Hot Carcass Weight(Slaughter Cost Per Pound+Cutting,Wrapping,Freezing Cost Per Pound)*Number of Head*

Total Costs=\$1,540 Per Head+610.5 Pounds Per Head(\$0.19 Per Pound+\$1.15 Per Pound)*42 Head=\$101,204*

Profit Per Head=\$3,425-\$2,410=\$1,015

*Total Profit=\$1,015 Per Head*42 Head=\$42,642*

Comparing the updated grass-fed enterprise budget with the original non-grass-finished beef budget in Chapter 11 clearly shows that a grass-fed direct-to-consumer enterprise nets greater profit than a non-grass-finished beef direct-to-consumer enterprise under these assumptions. Notice that in these examples, the total revenue generated in the non-grass-finished beef enterprise is greater (\$392,773) than in the grass-fed beef enterprise (\$170,000). However, costs in the grass-fed enterprise are significantly lower, and so net profits are greater. Rather than compare profit per head here, it is valuable to compare system profit due to the difference in the number of calves sold. Where profit in a grass-fed direct-to-consumer enterprise totals \$42,642, profit in the non-grass-finished beef custom harvest enterprise budget example totals only \$18,446.

The updated enterprise budgets for grass-fed beef can be used to evaluate the profitability of marketing claims or the percent change in price necessary to achieve break-even under a new marketing label. An alternative rule of thumb method to evaluate the profitability of marketing claims takes advantage of changes in revenues and costs, i.e., marginal revenues and marginal costs.

Marginal revenue is calculated:

Marginal Revenue of a Management Decision= (Change in Total Revenue)/(Change in Quantity Sold)

Marginal cost is calculated:

Marginal Cost of a Management Decision= (Change in Total Cost)/(Change in Quantity Sold)

In the previous example, revenue was pressured downward by fewer cows, lower dressing percentages, and lower dressed weights, while revenue was supported to greater levels by higher prices for grass-fed beef. Costs may or may not have changed depending on the producer's execution of the grass-fed system.

These values are the rates at which revenue and cost change based on some management decision. Marginal revenue is the revenue generated per unit of production or, in this case, the additional revenue generated per unit of production from an enterprise change. Marginal cost is the expense per unit of production or the added expense per unit of production to change the enterprise. When marginal revenue exceeds marginal cost, the decision is profitable. The point of profit maximization occurs where marginal revenue equals marginal cost. When marginal cost exceeds marginal revenue, the decision is losing money.



CHAPTER 6: PERMITTING REQUIREMENTS

Many states have state-, county-, or even city-level permitting requirements for producers selling beef to the public. Texas is no exception. DSHS manages the licensing requirements at the state level. A business needs only one state license, but the type is dependent on how beef will be sold.

Determining which permit may be required for direct meat sales business proved far more difficult than anticipated. Anyone starting a direct beef sales business should consider contacting Milan Patel with the Food Manufacturing Division at DSHS at 512-834-6670 or foods.regulatory@dshs.texas.gov. Ms. Patel is extremely knowledgeable about the licensing requirements for direct beef sales businesses and was able to answer questions based on specific examples of different business models. If a business owner is able to describe his or her business plan and sales avenues, Ms. Patel will be able to assist in ensuring the correct license is obtained.

Selling live animals

If a producer will sell the live animal on the hoof, either for custom slaughter or inspected slaughter, there is no permit needed from DSHS. The rationale for this is that the producer is not selling food in this instance; they are selling a live animal. Just as a rancher does not need a permit to sell a steer at the sale barn, no permit is necessary for this scenario.

Food manufacturer licenses

According to Ms. Patel, the vast majority of direct beef sales businesses will need a Food Manufacturer License from DSHS. This applies for anyone who has beef slaughtered and processed at inspected facilities and then sells the beef in person, such as from their ranch, on the internet, at farmers' markets, to restaurants, or to grocery stores. A Food Manufacturer License is also needed for a business with a storefront that has freezers in the area with customers who can essentially self-serve the meat products by picking them from the various accessible freezers.



Food manufacturers

A “food manufacturer” includes any businesses that engage in the following activities:

- ▶ Processing and/or packaging any food product for wholesale distribution or for sale for retail customer self-service
- ▶ Repackaging food products for the wholesale distribution for sale via retail customer self-service
- ▶ Any Texas firm that places their name and address on a product label, even though another firm produces the product
- ▶ Packing food and displaying the packaged food for customer self-service. This includes all retail food service operations that package and display food in this manner.

It is the final bullet point that applies to most beef operations.

The key to a Food Manufacturer License is that the license holder may not repackage, further process, or manipulate the food product that was slaughtered, processed, and packaged at an inspected facility. If the product is further processed, cooked, or changed in any way, a Grant of Inspection will likely be necessary.

Application process

A Food Manufacturer License may be obtained through the Regulatory Services Online Licensing System, available at <https://vo.ras.dshs.state.tx.us/datamart/login.do>, or by submitting the completed application form by mail. A copy of the Food Manufacturer License Application may be found in Additional Resources Appendix and is available at <https://www.dshs.texas.gov/fdlicense/PDF/PDFfoods/EF23-10853FoodMFG-Initial2401Rev42015.pdf>.

The application requires standard information that might be expected, but there are a couple of specific questions to be aware of.

The applicant must identify the type of manufacturer they are identified as. According to the Food Guidance Document, available at https://www.dshs.texas.gov/foods/pdf/MFD_Foods_Application_Definitions.pdf and provided by DSHS, direct beef sales operations would select “Private Labeler,” which is defined as:

“Any person or business in Texas that does not manufacture or store food but has a co packer that produces one or more products with the private labeler’s name and location on the label. For example, a farmer has their meat processed at either a facility inspected by the US Department of Agriculture or Texas Department of State Health Services Meat Safety Assurance Unit, and the farm or farmer’s business name and address are listed on the label.”

PLEASE CHECK ONE BELOW	GROSS ANNUAL SALES	FEE DUE
	\$0.00–\$9,999.99	\$103.00
	\$10,000–\$24,999.99	\$155.00
	\$25,000–\$99,999.99	\$258.00
	\$100,000–\$199,999.99	\$577.00
	\$200,000–\$999,999.99	\$927.00
	\$1,000,000–\$9,999,999.99	\$1,154.00
	\$10,000,000 or more	\$1,730.00

The next section will ask the type of food operation, for which “other” will be the likely selection. Then, the applicant will select whether they are selling products wholesale and/or retail or retail only. This will depend on the business model and customer base. There is also a section for which the applicant will need to identify the business structure, such as a sole proprietor, type of partnership, association, corporation, or limited liability company (LLC).

The current fee structure for a Food Manufacturer permit is based on gross annual sales for all food manufactured at the licensed place of business. The following chart sets forth the permit costs as of February 2022.

Ms. Patel advised that for new businesses that may not be aware of their actual annual gross sales figure, she generally recommends selecting the \$0 to \$9,999 license. If the business does well and needs to bump up to another category, she advises they should contact DSHS to do so. The one exception to this could be a situation where a business has taken pre-orders or otherwise knows that their sales will at least be a certain amount higher than \$9,999.

Food Manufacturer Licenses are issued for a 2-year time period.

The standard processing time for these applications is 4 to 6 weeks. If a person has questions about their license application or the current status of a submitted application, they should contact the Foods Licensing Group at 512-834-6626 or foodslicensinggroup@dshs.texas.gov.

Good manufacturing practices

DSHS regulations include “good manufacturing practices” for food manufacturers. See 25 TAC 229.210-229.225, available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=25&pt=1&ch=229&sch=N&rl=Y](https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=25&pt=1&ch=229&sch=N&rl=Y). All food manufacturers should carefully review these regulatory requirements. These include a variety of requirements including training of employees, sanitation requirements, and freezer rules.

Retail food operations permit

According to Ms. Patel, the one direct beef sales situation where a Retail Food Operations Permit may be necessary is where a business operates a retail storefront but does not allow for self-service of the product. For example, instead of having a store with freezers available to the public to self-

serve their cuts, a store with freezers in the employees-only area with customers who request a particular cut that is then handed to them by the employees would need a Retail Food Operations Permit, rather than a Food Manufacturer License. The Retail Food Operations Permit would also be necessary for other businesses beyond the purview of this book, such as a person who opened a restaurant serving beef or a grocery store or market.

Retail food establishment

A “retail food establishment” is any place where food is prepared and intended for individual portion service. Restaurants, snack bars, and bed and breakfasts with more than seven guests are examples of retail food establishments. A “retail food store” is a food establishment or section of establishment where food is sold to the consumer intended for off-premises consumption. This includes grocery stores and markets.⁹

Application process

To obtain a Retail Food Operation Permit, an applicant may apply using either the Regulatory Services Online Licensing System or by completing the required form and returning it to DSHS. A copy of the current application form is included in Additional Resources Appendix and is available at <https://www.dshs.texas.gov/foodestablishments/Applications/Retail-Food-Establishment-Initial.pdf>.

Similar to the Food Manufacturer License application, the Retail Food Operations Permit application seeks basic information about the business. An applicant must select either a food establishment or a retail food store. The same business entity information as required in the Food Manufacture License application is required in the Retail Food Operations Permit as well.

GROSS ANNUAL VOLUME OF FOOD SALES	PERMITTING FEES
\$0–\$49,999.99	\$258
\$50,000–\$149,999.99	\$515
\$150,000 or more	\$773

⁹ DSHS, Permitting Information - Retail Food Establishments, available at <https://dshs.texas.gov/foodestablishments/permitting.aspx#:~:text=A%20retail%20food%20establishment%20is,a%20charge%20for%20the%20food.>

The cost of the Retail Food Operation Permit is based on the gross annual volume of food sales. The current fee structure is listed below.

Again, Ms. Patel generally advises new businesses to select the smallest category and to contact DSHS to modify if necessary due to additional sales volume.

DSHS reports that it usually takes 4 to 6 weeks for applications to be processed and permits mailed. Currently, there is no requirement that inspections occur prior to obtaining a permit. Also, note that a business would need either a Food Manufacturer License or a Retail Food Operations Permit, but not both.

Grants of inspection

If a business intends to further process, repackage or relabel, or cook the meat in any way, it will likely need a Grant of Inspection from the Meat Safety Assurance Unit at DSHS. An example of this might include someone who has the meat slaughtered, processed, and packaged at an inspected facility and then makes it into sausage to sell. Another example would be someone who wanted to take the flank steak out of the package from the inspected facility and add a marinade. Obtaining a Grant of Inspection is much more onerous than obtaining the other licenses. Applicants must meet regulatory sanitation performance standards and have written Sanitation Standard Operating Procedures (SSOP) and Hazard Analysis and Critical Control Point (HACCP) plans. More detailed information is available on the Meat Safety Assurance Website at <https://www.dshs.texas.gov/meat/grants/inspection.aspx>.

County and local health department requirements

Importantly, beyond these state-level permits, many county and city health departments may also have permits for their jurisdiction. Producers should ensure that they check with local authorities to ensure compliance with those requirements. This is particularly important for businesses seeking to sell at farmers' markets in various locations, as each county or city may well have its own requirements.



CHAPTER 7: LIABILITY PROTECTION

For producers interested in direct beef sales, deciding the best method of liability protection is an important consideration that should not be overlooked. Two key steps to protection are considering the formation of a business entity and ensuring that proper insurance is in place for the business.

Business entity creation

Different types of business structures offer the flexibility to fit the different needs of businesses in general and in agriculture specifically. For example, the creation of a formal business entity can trigger consequences involving personal liability, tax implications, and bankruptcy, among others. Specific consequences are primarily determined by the type of business organization that is selected, usually a sole proprietorship, general partnership, limited partnership, LLC, or a corporation.

Because the choice of entity can have such substantial consequences, it is important to work with experts such as lawyers and accountants to limit risk most effectively and choose the best structure for your business.

Important issues

There are several important considerations in considering any business entity including liability issues, tax implications, and bankruptcy issues.

Liability issues

One of the most common reasons to create a business entity is to protect owners and investors from the legal liability of actions performed on behalf of the business. As a result of this need, legislators organized business entity statutes to provide a “veil” of protection, depending on the type of business structure and the actions of the parties and the organization.

At one end of the spectrum, sole proprietorships and general partnerships provide no liability protection to their owners. General partnerships will, in fact, often expose all partners to personal liability for the actions of a single partner. In other words, creditors may target both business and personal assets to fulfill a judgment against the debtor/business owner.

In the middle of the spectrum lies the limited partnership (LP), which provides protection to some of the partners, but not all of the partners. Typically, these ventures have at least one general partner who is personally liable for the actions and debts of the partnership and one or more limited partners that are protected by the limited partnership so long as they remain passive in the running of the business. On the most protective end of the spectrum are organizations such as LLCs and corporations that shield all shareholders and officers from the actions and debts of the business so long as they respect certain boundaries.

Asset protection is a very important aspect for many farming and agribusiness operations. As a result, arranging the ownership of assets through business entities has become a frequently used method to help limit exposure to

civil liability from lawsuits or financial liability from unpaid or delinquent loans.

Tax implications

The vast majority of business organizations, especially small businesses, may choose to be taxed indirectly as “pass-through entities.” Business income is imputed to the owner/partners, and the owner/partner(s) reports those profits and losses directly on their personal tax filing. If there are two partners, profits and losses are divided equally unless there is a written partnership agreement stating otherwise, and each partner claims those on their personal income tax filings. On the other hand, some business entities, like corporations, are often taxed twice—once at the entity level and again when the corporation pays dividends to its shareholders.

Bankruptcy

Filing bankruptcy as a business organization can function as a shield to protect other vital assets and also functions as a tool to assist in reorganization. The same “veil” that protects the owners and officers of the business organization from civil liability may also be used to protect them from the debts of the business. For example, consider a rancher who farms as a sole proprietor and falls on hard times. In order to satisfy the debt, creditors are able to pursue everything the farmer owns, except exempt property. However, if that same farmer ran the farm as an LLC that goes into bankruptcy, only the assets within the LLC are at risk (as long as there is no fraud and there is a separation between the LLC and the rest of the farmer’s assets). Putting a “veil” between assets can give the business owner leverage to negotiate with creditors if reorganization or liquidation is necessary.

Business structures

The type of business structure can have an enormous impact on liability, taxation, and bankruptcy. Once a producer begins to earn money in her operation, she is organized as a business entity whether she realizes it or not. Whether working by herself or with her spouse, a rancher who works to earn a profit is immediately classified as a sole proprietorship. If a person other than a spouse, including a parent or sibling, is brought into the business, it immediately transforms into a general partnership. Both sole proprietorships and general partnerships are the default business structure and are created without any specific intent. Other types of business entities must be intentionally created by filing the proper paperwork with the state government. These decisions, or lack thereof, may have wide-ranging consequences.

Sole proprietorship

One of the simplest forms of business, the sole proprietorship, is effective without any legal filing. Any individual, or individual and their spouse, who starts a business or farming operation without further organization and filing is considered to be a sole proprietor. As a result, that individual will be held personally liable for the actions and debts of the business.

Any liability or debt of the business is personally owed by the individual, and any liability or debt of the individual can be taken from the business. There is no separation between the assets of the individual and of the business. This also means that other documents, such as permits and business licenses, are in the name of the individual. Sole proprietorships continue operating until the business ceases, another co-owner is brought in (then it would continue as a general partnership), a formal business entity such as an LLC is created, or if the individual dies. In Texas, if the business is conducted under an assumed name (a name other than the surname of the individual), then an assumed name certificate (commonly referred to as a DBA or “doing business as”) should be filed with the office of the county clerk in the county where a business premise is maintained. If no business premise is maintained, then an assumed name certificate should be filed in all counties where business is conducted under the assumed name.

General partnership

Similar to the sole proprietorship, this business structure does not require the filing of any legal documents or even any official intent by the partners. Instead, evidence of two or more individuals (1) involved in a common enterprise and (2) sharing the profits is often enough for courts to find that a partnership exists. In most states, the actions of one partner in a general partnership are transferable to the other partners through joint and several liability, as long as those actions are taken on behalf of the business. For example, if a member of a general partnership defaults on his mortgage for a personal home, creditors may attempt to claim both his personal assets and any business assets, but not the personal assets of other partners. However, if another member defaults on a mortgage she entered into to benefit the business, creditors may attempt to satisfy the debt with proceeds from not only her personal assets and any business assets but also the personal assets of other partners. Similarly, there are no bankruptcy protections associated with general partnerships.

In terms of taxation, a general partnership is not taxed directly. Instead, the income and losses that flow through the partnership to the individual partners are taxed solely to each partner.

In Texas, if the business is conducted under an assumed name (a name other than the surname of the individual), then an assumed name certificate (commonly referred to as a DBA) should be filed with the office of the county clerk in the county where a business premise is maintained. If no business premise is maintained, then an assumed name certificate should be filed in all counties where business is conducted under the assumed name.

Limited partnership

To form a limited partnership (LP), the partners must file legal documents with the state in which it is to be created. Structurally, there must be at least one general partner who is personally liable for the actions of the partnership. That general partner must run the business operation. There will

also be one or more limited partners. These limited partners are only liable, for both civil and bankruptcy judgments, up to the amount that they have invested in the partnership. They typically have little or no control over the business operation. In agriculture, LPs may be used as a succession planning tool where the limited partner contributes capital (in the form of land, equipment, livestock, or money), and the general partner—often the entering generation—contributes sweat equity while making the daily business decisions. It is important to note, however, that the more involved a limited partner becomes with the business, the more likely it is that a court will find that limited partner to be a general partner and subject to general liability.

The partners enter into an agreement, which designates roles and responsibilities for each of them. While the partnership agreement is not filed for public record, the limited partnership must file a certificate of formation with the Texas Secretary of State. The Secretary of State provides a form that meets minimum state law requirements. Online filing of the certificate of formation is provided through SOSDirect.

Corporation

The corporate business structure is one of the oldest options for organized businesses. It was established in order to provide protection from liability. A recent version of the corporate structure known as the “S. Corporation” (because its requirements are found within Subchapter S of the Internal Revenue Code) is more typically used for smaller businesses, including agricultural operations. Corporations must be intentionally created because paperwork must be filed with the state in which they intend to be created. Further formalities, such as periodic meetings of the board of directors, record retention, and separate bank accounts for the corporation, preserve the corporate structure and separate the corporation from its officers and shareholders. Several other requirements must be met before an S. Corp may be created, so obtaining legal counsel is very important.

Once the S. Corp is successfully created, shareholder liability for both civil and bankruptcy judgments is limited to business assets. However, courts will recognize these protections only if there is complete separation between the corporate structure and the owners. The more places where the corporation and its shareholders and officers are intertwined, the more likely a court will rule that the corporation is indistinguishable from its owners. For example, if a rancher creates an S. Corp but writes checks to purchase cattle and feed from his own personal checking account because that is the only account that he has, a court is more likely to determine that the corporation is indistinguishable from its owners and may order that the corporation be disregarded since the rancher commingled the money. At that point, the owners and shareholders assume personal liability for the actions and debts of the corporation.

In terms of taxation, an S. Corp allows the corporate shareholders to choose to have profits taxed on the individual level as long as all of the limitations on S. Corps

are followed and the appropriate forms are filed yearly with the Internal Revenue Service (IRS).

A Texas corporation is created by filing a certificate of formation with the Texas Secretary of State. The Secretary of State provides a form that meets minimum state law requirements. Online filing of a certificate of formation is provided through SOSDirect.

Limited liability company

A newer business structure, and currently one of the most popular for farms and other businesses, is the LLC. An LLC is a hybrid structure that offers the limited liability of a corporation with the flow-through taxation of a partnership or a sole proprietorship. It is similar to the S. Corp but without many of the corporate formality requirements.

To form an LLC, members must choose a business name and pay a filing fee to file formal paperwork (in Texas, this is called a "certificate of formation"). The Texas Secretary of State provides a form that meets minimum state law requirements. Online filing of a certificate of formation is provided through SOSDirect.

An LLC can be managed by managers or by its members. The management structure must be stated in the certificate of formation.

In terms of ongoing paperwork, Texas does not require LLCs to file annual reports with the Secretary of State. However, LLCs must file annual franchise tax reports.

Texas requires that the name must include an LLC designator, such as "Limited Liability Company" or "Limited Company," or an abbreviation of one of these phrases (such as "LLC," "L.L.C.," or "Ltd. Liability Co.").

LLCs provide some of the strongest protection currently available. Unlike the LP, liability protection provided by the LLC encompasses all members completely. Every state recognizes that all members of an LLC are exempt from personal liability unless there is another situation where a member has waived or lost the protection because of fraud, undercapitalizing the business, or a failure to treat the LLC as a separate entity from its members. In those cases, courts may "pierce the veil" of the LLC so that the plaintiff could reach the members individually. However, when all corporate formalities are met, the LLC provides personal protection for all members.

For ranchers interested in direct marketing beef, multiple LLCs might be an appropriate way to help limit risk. For example, one LLC might be formed for the cow-calf operation itself, while a marketing LLC could "purchase" the processed meat from the cow-calf LLC and sell it to the consumer. These decisions should only be made while working with an attorney, who can help ensure that all businesses are created and capitalized appropriately.

Currently, the tax status of most LLCs depends on whether there is one member or more. If there is only one member (some states will not recognize a one-member LLC) that owns the LLC, the LLC is disregarded for tax purposes,

and the member is responsible for all profits and losses associated with the operation of the business in the same way as if they were operating a sole proprietorship. If there is more than one member, however, then the LLC is taxed like a partnership with profits and losses allocated to the members. The LLC structure is designed to be flexible. While most states provide default rules for the allocation of profits and losses, the members can arrange the situation differently in the operating agreement.

Conclusion

Taxes, estate planning, and limiting liability are some of the reasons that are currently driving agricultural operations of all forms to create a formal business structure. Each business organization offers benefits and concerns, so it is up to the people organizing the business entity to choose the structure that best meets their needs. As a result, it is important to work with a team of experts, including attorneys and accountants, in making and implementing the business organization.

Insurance

One liability-related issue that all direct beef sales businesses must consider is insurance coverage. This appears to be an issue that is commonly overlooked but is a critically important piece of the liability protection puzzle. All producers should take time to analyze their insurance policies and ensure they have the proper coverage in place in order to include all of their business activities. Importantly, every insurance policy is different, so be sure to review policy options with an insurance agent and carefully review the coverage, endorsements, and exclusions.

The benefits of liability insurance are two-fold. First, a liability insurance policy provides coverage potentially up to the policy limits to pay if a covered claim arises. Second, liability coverage provides a defense to an injured in the event he or she finds themselves named in a lawsuit over a covered claim. This means that the liability insurer will pay for an attorney to represent the insured in covered litigation.

Generally speaking, there are a few key types of insurance coverage for producers to consider.

- ▶ Farm and ranch liability coverage: All farm and ranch operations should carry liability insurance, regardless of what type of products they raise or how the products are sold. For most traditional cattle operations, this is likely the type of coverage they have (or should have) in place.

A producer must ensure every activity they are engaged in is covered by the policy. This requires a review of the policy and any exclusions. For example, although every policy is different and a producer must carefully analyze his or her coverage, most policies will cover injuries that occur on the farm or ranch, livestock on the highway, and pesticide drift claims. Producers should carefully review any exclusions or limitations on coverage. For example, some farm and ranch liability policies will include an exclusion for aerial pesticide application. Others may impose a cap on types of claims. Several

farm and ranch liability policies in Texas offer \$1 million in coverage but cap damages involving pesticide drift to \$25,000. If a producer needs additional coverage beyond that included in the policy, it may be possible to add a specific endorsement for the particular activity or coverage needed.

This type of policy is likely sufficient for producers electing to sell live cattle on the hoof to consumers under the custom-exempt slaughter approach outlined in Chapter 4. The reason for this is because, in that business arrangement, the producer is not selling beef—they are selling a live animal. Thus, there is not a product liability concern for the producer.

Critically important for our purposes, most (if not all) farm and ranch liability policies do not provide the necessary product liability coverage needed for direct beef sales businesses that are selling beef as opposed to live cattle. Additional insurance coverage, as discussed below, is needed.

- ▶ **Commercial general liability coverage (with products-completed operations coverage):** When interviewing insurance agents, all agreed that anyone engaged in direct beef sales should carry a Commercial General Liability policy with products-completed operations coverage.

A commercial general liability policy is the standard business liability insurance available for insureds. These policies protect companies from general claims of liability for issues like personal injury or property damage. For example, these policies would likely come into play if a company was sued for a slip-and-fall or false advertising.

However, because direct beef sales businesses are selling a product, additional coverage is needed. In addition to the general commercial liability policy, a producer should carry products-completed operations liability coverage. This type of coverage applies expressly to claims that a product that a company manufactured, sold, handled, or distributed caused bodily injury, such as a food-borne illness outbreak.

- ▶ **Property insurance:** Property insurance is another important protection for all farm and ranch operations to consider. Unlike liability insurance, which protects a producer from claims of injuries to third parties, property insurance protects a producer against the loss of their own property. For example, if a fire destroys a covered barn or shop, the property insurance coverage would likely kick in and pay on the claim.

For direct beef sale businesses, particularly those selling beef rather than live animals, there are a few more considerations. The business should consider property coverage not only for structures but also for business equipment. For example, if a producer had an industrial walk-in freezer in their shop, carrying property insurance to protect both the loss of the shop and the freezer would be important. Adding property coverage for this type of equipment is important to consider.

One additional endorsement to consider is coverage for equipment breakdown (also referred to as mechanical breakdown insurance or boiler and machinery insurance). Generally speaking, equipment breakdown insurance covers a company's mechanical, electrical, and computer equipment from breakdowns. For example, if a direct beef sales company owns a walk-in commercial freezer containing thousands of dollars of meat and it breaks down or the power goes out for days, this coverage would be triggered. It covers the cost to repair or replace the broken equipment, spoiled inventory, lost income, and necessary expenses incurred during the repair/replacement period. It might seem like equipment should be covered under property insurance, but keep in mind that property insurance covers damages caused by external factors like a fire or hurricane. But equipment can break down due to internal factors as well, like power surges or a motor burning out. In that scenario, having equipment breakdown insurance would be important.

- ▶ **Workers' compensation insurance:** Producers with employees should consider carrying workers' compensation insurance, regardless of whether they are engaged in direct beef sales. While this type of insurance coverage is mandatory in many states, it is not a requirement under Texas law. Workers' compensation insurance provides coverage for an employee who becomes ill or injured within the course and scope of their employment. For example, if an employee is injured while moving boxes of beef for the employer, workers' compensation insurance would be available to help pay for the employee's damages, including medical bills, lost income, and if death occurs, burial expenses and benefits to the employee's family.

Carrying workers' compensation insurance offers important legal protection for an employer. Employers who carry this insurance are protected from most lawsuits by injured employees. Instead of the courthouse, injured employees' available remedy is the benefits available to them under the workers' compensation policy.

Another important benefit for employers who carry workers' compensation insurance is that failure to do so may result in the inability to raise certain defenses in court. For many operations that elect not to carry workers' compensation insurance, the employee may file suit in court, and the employer may not be allowed to raise key defenses such as the injured employee's negligence, another employee's negligence, or the employee knew and accepted the danger of the activity.

- ▶ **Umbrella policies:** Umbrella insurance policies may be another type of coverage desired by a direct beef sales producer. An umbrella insurance policy provides an additional dollar amount of coverage in excess of existing limits and coverage on other policies. For example, if a producer has a \$500,000 farm and ranch policy but wants to have a higher dollar amount of coverage, he or she may consider purchasing an umbrella policy to add additional coverage dollars. An umbrella policy provides

coverage if existing policies are exhausted. Say a person carried \$300,000 in auto insurance coverage but was sued, and a judgment was entered for \$500,000. If they carried an umbrella (which typically has a \$1 million coverage value), the umbrella policy would step in and cover that additional judgment amount.

Importantly, umbrella policies do not generally expand the scope of coverage of a policy. They merely add an additional dollar value of coverage. If a person's farm and ranch policy excludes a particular activity, an umbrella policy will not expand the scope of coverage to that activity. One exception to this is that many umbrella policies may provide additional coverage unrelated to the base liability policy, such as coverage for claims of libel, slander, defamation, false arrest, or malicious prosecution.



CHAPTER 8: OTHER LEGAL CONSIDERATIONS

There are a number of other important legal considerations for direct beef sale businesses to consider in terms of protecting its business.

Trademarks

One of the first steps from a marketing perspective will be to select a name and design a logo for one's business. Trademarking comes into play here and is an important consideration for direct beef sale businesses.

Trademarks generally

A trademark is an identifying mark in connection with a particular good or service. A trademark can take many forms—names, symbols, words, sounds, fragrances, devices, or food product packaging. Essentially, a trademark is used to inform the public about the origination of a particular good. The more distinctive the trademark, the stronger legal protection there is. Generic terms such as “ranch” or “farm” cannot be trademarked.

Initial research

Before selecting a business name or logo design, a business should make an effort to ensure the name, logo, or other descriptors are not already being used. There are a few important ways to undertake this effort. First, a business should run a public record search to ensure it is not infringing on another's intellectual property rights. To search for federally registered trademarks, the US Patent and Trademark Office (<https://www.uspto.gov/>) (“USPTO”) has a search function available. To search registered trademarks in Texas, the Texas Secretary of State allows registered users to register and pay a \$1 fee to search their database. Taking this important step allows a business to ensure it is not infringing on anyone's legally protected marks. This not only protects the business from infringement claims but also ensures that businesses are not wasting time and money on a mark that is already being used somewhere else. It is one method of protecting the brand the business intends to build.

Second, because there is common law protection even for marks that are not legally registered, a business should do a careful internet search to look for any pre-existing similar marks or names. A business should search for the business name, logo description, product, and other terms that might be similar to the business being created. Another place to check is <https://lookup.icann.org/en>, a website which maintains a domain name database for various registered websites. Searching for registrations that are similar to the business's name may also help flag existing users.

Keep in mind when conducting the search, a business should ensure its specific name or mark is not already being used, but also that its name or mark is not “confusingly similar” or likely to cause confusion with another person's mark. In analyzing this standard, the USPTO will analyze the similarity of the mark, but also the goods or services for

which they are used to determine the likelihood of confusion to consumers. Note that even if two marks are found to be confusingly similar, a likelihood of confusion only exists if the goods and/or services using the marks are actually related. For example, if both a beef business and a dry cleaner were both called by a similar name, a likelihood of confusion would probably not exist.

Establishing protection

In addition to ensuring that a business's own brand does not infringe on another business's intellectual property, the new business should consider what steps it can take to protect its own intellectual property as well. There are a few different protections available.

Common law trademark protection

It may surprise people to know that there is some level of trademark protection created just by using a specific mark in a particular geographic area. If ABC Ranch has been using that name to sell its beef in Texas for several years, it would have what is known as “common law” trademark protection, even though it never took steps to register the business name. While common law trademarks are certainly easier to obtain—one just has to use the mark in commerce—they are much more difficult to enforce.

There is a geographic limit to the protection offered by common law trademarks. If ABC Ranch had been selling beef in Texas for years, another ranch would likely be prohibited from calling itself ABC Ranch and selling beef in Texas. This would not, however, be the case if another ABC Ranch wanted to open in New York State and sell beef. The common law protection is restricted to the business's geographic area. Given the number of beef sales businesses that are nationwide using the internet, this limited protection may be insufficient to protect a producer.

If a holder of a mark with common law protection can prove an earlier first-use date, it may be able to prevent a subsequent user in the same geographic region from using the mark. For businesses that hold a registered trademark, there is a legal presumption of ownership of the mark and exclusive right to use. This presumption does not extend to common law trademarks.

Common law trademarks may be denoted with the TM mark, but including that notation is not required. Actually, there is no added legal protection gained by including the notation.

Registration

The best way to protect one's mark is to register the mark. A registered mark is afforded additional legal protections than a mark relying only on the common law trademark protection. Registration may be done on the federal level with the USPTO for any businesses engaged in interstate commerce, or if used in intrastate commerce, a mark may be registered on the state level with the Texas Secretary of State.

Goods used in interstate commerce may be registered federally with the USPTO. This registration puts other businesses anywhere in the United States on notice regarding a producer's protected marks and business. It is also important in allowing a trademark owner to successfully prevent trademark infringement. A USPTO registered mark has a legal presumption of ownership of the mark and exclusive right to use. This shifts the burden of proof to the user of an unregistered mark to prove they utilized the mark in commerce prior to the registered owner. Further, once a mark is on the USPTO principal registry for 5 years, it is incontestable under federal law.

The ® symbol is reserved for those businesses with a registered mark.

Website

There are a few key legal issues to keep in mind when building a business website as well.

Truthful information

Most importantly, any information provided on a company's website must be truthful. Unlike claims made on a label, the FSIS does not review or approve website representations—see *Cohen v. ConAgra Brands, Inc.*, No. 20-55969, ECF No. 60-1 at 6 (9th Cir. Oct. 26, 2021) (Opinion and Order). Websites are not considered “labels” over which FSIS has jurisdiction. Because of this, plaintiffs are able to bring state law claims against businesses that provide misleading information on their websites if it is materially different than the approved statements made on the label.

In the recent *Cohen v. ConAgra* case, a plaintiff brought a class-action lawsuit claiming that ConAgra's claims of “natural” and “preservative-free” messaging on their frozen chicken product labels and on their website were misleading under California law. The US Court of Appeals for the Ninth Circuit dismissed the claims referring to the content on the packaging label, finding that because meat labeling is governed by federal law and because FSIS approved the label, state law claims were not allowed. The same was not true, however, for the same statements made on the company's website. Because FSIS does not oversee website content, state law claims challenging the truthfulness of the statements were allowed to go forward.

This case is a good reminder to beef businesses that any information, assurances, or claims made on a website must be truthful and are subject to legal challenge. This is an issue that goes beyond websites, however. Keep in mind that statements made by a business owner or employee may constitute an express or implied warranty and, if not truthful, could also be subject to a lawsuit.

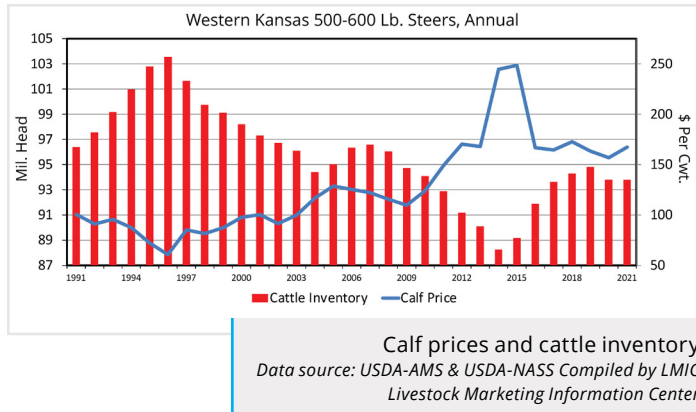
Truthfulness in labeling and marketing

One key consideration to keep in mind is that any claims or statements made regarding one's beef must be truthful. For example, although USDA does not have an official grass-fed verified program (except for those qualifying under the small producer program), a business claiming to sell grass-fed beef could still face legal issues if that claim is false or misleading. Many states have consumer protection statutes that allow consumers to file lawsuits for false or misleading claims. Many of these statutes allow not only for actual damages but also contain provisions allowing for punitive or treble damages. These types of claims are frequently seen in the food labeling context.



CHAPTER 9: THE CATTLE CYCLE AND PROFIT BY SECTOR

It is valuable to understand the basics of fed cattle price for planning purposes. US cattle and beef markets are some of the most complex markets in the world. However, like any market, supply and demand interact and are balanced through prices. When the supply of a good goes up, expect the price of that good to decrease, all else equal. When the supply of a good goes down, expect the price of that good to increase, all else equal. When cattle inventories trend upward, calf prices tend to trend downward, and vice versa.



Hundreds of outside forces mean the idea of “all else equal” is not very realistic, but two major forces interact to create a normal pattern in fed cattle supplies and prices, normally referred to as the cattle cycle. Those two forces are:

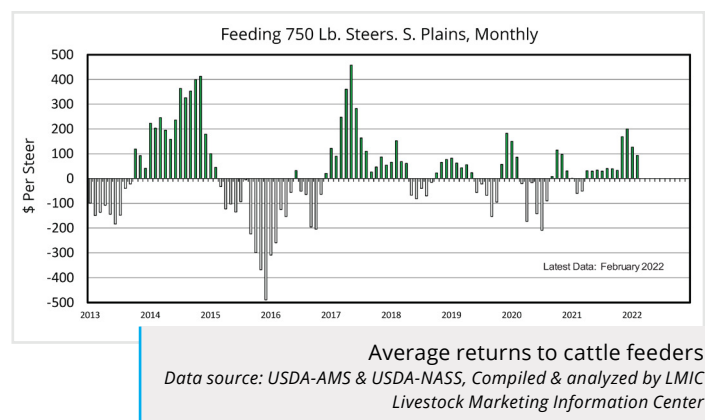
- ▶ Year-to-year, fed cattle harvest capacity (representing demand for live, fed cattle) in the US is very stable, and ownership of that capacity is held in a small group.
- ▶ On the supply side, there are many sellers of live, fed cattle. At certain times, there are too many fed cattle in relation to available harvest capacity, while at other times, there are too few.

This market structure is an oligopsony (few buyers, many sellers of a homogenous product who are price takers). Since demand for live (or fed) cattle in the form of harvest capacity doesn’t really change in response to price, when there is even a slight oversupply of fed cattle, there are often predictable opposing moves in price. However, the biological lag in producing cattle means that by the time markets send signals of oversupply to producers in the form of lower prices, production is already in motion for a year or more.

In normal market conditions (again, that idea of all else equal is elusive), economic fundamentals would suggest that cattle and beef prices to move in the same direction. Clearly, fewer calves harvested means less beef. If consumers want the same amount of beef year to year, then prices must move accordingly, right? Consider, again, the idea of few buyers and limited, stable harvest capacity. As made evident by the COVID-19 pandemic and subsequent price moves, cattle prices and beef prices do not always move together, the cause being limited hook space. While cattle and beef are related products in normal market conditions, the relationship can and does break down from time to time.

Consider the market forces during the COVID-19 pandemic. While beef prices reached historically high levels, fed cattle prices dropped. Why did this happen? The same harvest capacity constraint had opposing impacts on the cattle and beef markets. Because already-limited harvest capacity dropped due to worker health and safety concerns, demand for live cattle dropped, and so prices for fed cattle fell. At the same time, demand for beef was stable at a minimum, but the quantity of beef produced fell due to the same losses in harvest capacity, driving the price of beef up.

Supply, demand, and the biological lag are the forces that lead to the cattle cycle and are partly why it is rare that the entire cattle to beef market is making a profit at the same time. For example, consider the previous figure (Calf Prices and Cattle Inventory) and the following figure (Average Returns to Cattle Feeders). In 2015, when cattle inventories were low, and calf prices were historically high, average returns to cattle feeders were negative. The cost of feeder calves, which represents the greatest expense in cattle feeding, was high and so achieving profit was difficult. A similarly timed graphic would show that during the same period, packer profits (which is not the same as the live to cutout spread) were negative.



Why does all of this matter? First, taking the step to move out of the cow-calf business and into direct-to-consumer beef sales accrues the additional risk and potential losses borne at the feeder and packer levels. As previously mentioned, the direct-to-consumer business model will likely lose money in certain stages of cattle and beef production while other parts of the business make a profit. Second, understanding the cattle cycle and what it represents in terms of pricing will allow better management.

It may seem that the financial outcomes by stage are unimportant. Someone could just keep a record of a pen's profitability in terms of total cost from birth to harvest and total revenue from directly sold beef. However, consider the advantages of tracking calves through different stages by "selling" a calf (or pen) from one stage to the next using transfer pricing. One is better able to discern their operational efficiencies along the way. Is it more cost-effective to place 500-pound calves or 700-pound calves on feed? How does one know if they do not know the specific outcomes at each stage? One can also take advantage of financial efficiencies better if they understand different stages of the process in detail. Who is offering better financing terms—the bank providing the operating note at the cow-calf level or the feed yard custom feeding that calf who is also financing the feed?



CHAPTER 10: RECORDKEEPING

We'll discuss the use of individual data throughout Chapters 11 and 13, but keeping good records is critical enough that it must be addressed before diving into enterprise budgets. Simply put, without sufficient financial records, it is not possible to make necessary business transactions like obtaining a loan or filing taxes. Similarly, without sufficient production records, a ranch cannot make accurate strategic decisions for a herd or direct-to-consumer beef sales business. Given the new venture into food sales, the need for accurate records will become even more critical to ensure food safety and mitigate liability.

- ▶ Why keep detailed records? The remainder of the economic concepts in this book will be useless without either individual business records or a proxy to start out with. Detailed records are required for tax preparation and filing. Lenders require detailed financial records to provide credit. A detailed record-keeping system may mitigate liability from the new food side of a direct-to-consumer beef business in the event of a lawsuit. Making educated strategic planning decisions is impossible without detailed records.
- ▶ What is the best way to keep records? Keeping detailed records can be as simple as a folder in the pickup or as complex as an excel workbook with multiple worksheets linked together. At a minimum, keep records. But each business should find the record-keeping system that works for it. There are even benefits and costs to different record-keeping systems. The good thing about paper records and receipts is they can be placed in a folder in the truck where a lot of farm and ranch business is conducted. The drawback to paper records is that they seem to be utilized less often, i.e., they tend to be stored and not used, and unused data is worthless. Digital records are becoming the norm, and in a world where receipts can be emailed, it may be possible to bypass the need for paper records in the truck. Again, there are benefits and drawbacks. Digital records are easier to edit (sometimes) and can be saved in multiple places for safekeeping. However, if there are only paper copies of some receipts, it requires extra time to enter that data at the end of the day. Combinations of digital and physical records are a good middle ground, and depending on the size of the business, hiring an accountant is worth considering, particularly when expanding into direct-to-consumer sales.
- ▶ What records should be kept? North Carolina State University's *Direct-to-the-Consumer Beef Marketing Handbook* provides an exhaustive list of the records one should consider keeping in a direct-to-consumer beef sales business.

For financial records:

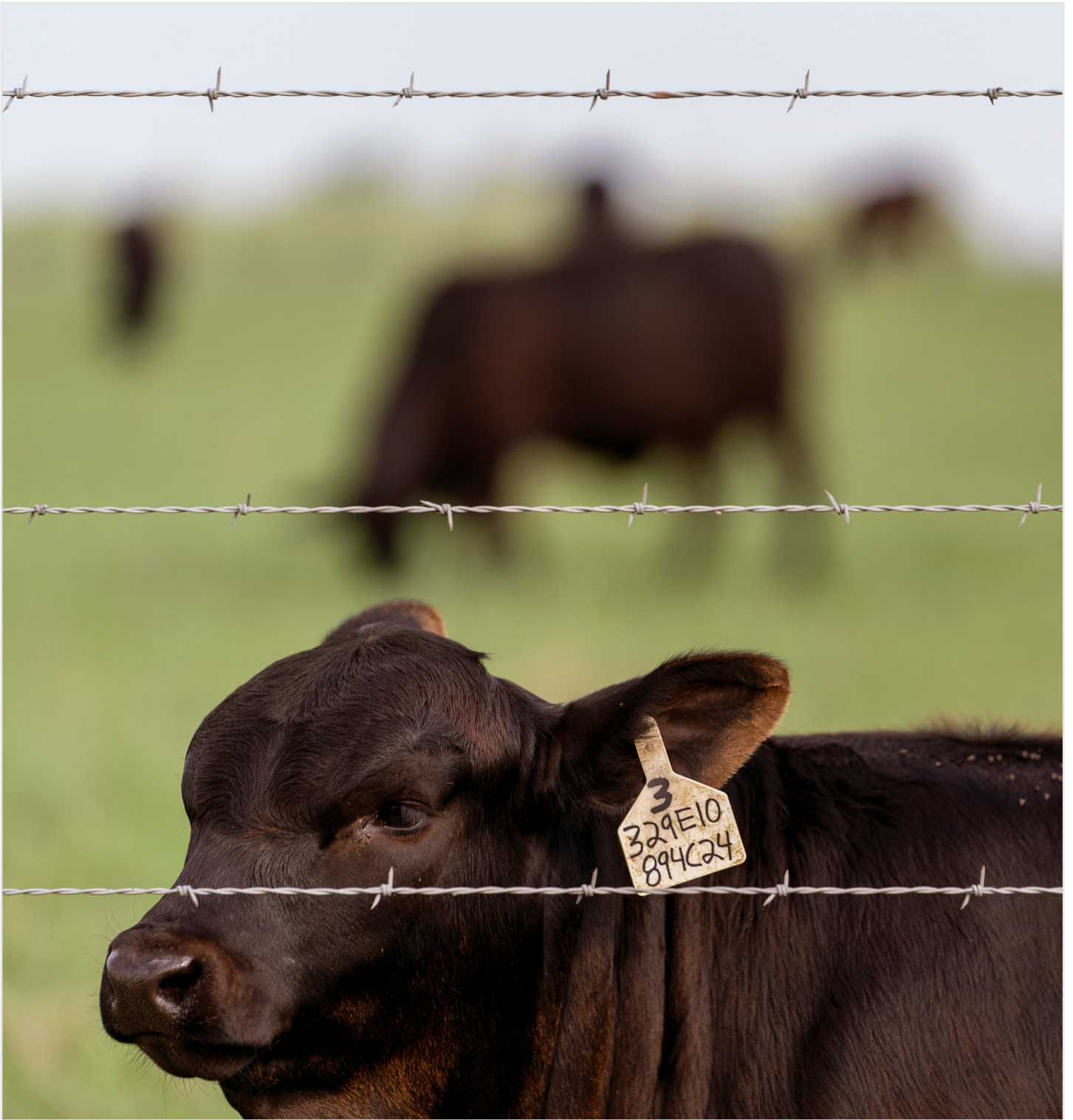
- ▶ For taxes and for financial management purposes, itemized records of sales, cash received, and cash paid out are needed.
- ▶ Records of accounts payable and receivable are needed to ensure timely payment and for cash flow management.

- ▶ Physical records of on-farm activities, such as cattle and meat sales, livestock production, and herd health events, are needed to develop measures for monitoring farm performance.
- ▶ Farm and field production needs to be documented with records of inputs, such as fertilizer used in crop production.
- ▶ Inventories on the first day of the fiscal year are needed for net worth statements and to make the accrual adjustments necessary for accurate earnings statements.
- ▶ The IRS requires that tax and related records be kept for at least 3 years (7 years is preferred because an audit can go back more than 3 years). This would include documents to support the tax form entries, such as bank statements and canceled checks.
- ▶ Insurance documents and records are needed if an insurance claim is filed.
- ▶ Legal documents—including deeds, titles, wills, contracts, business organization agreements, and regulatory compliance records—should be maintained in a secure place.

For production records, consider:

- ▶ Calf crop percentage
- ▶ Birth weight on calves
- ▶ Weaning weight
- ▶ Weaning age in days
- ▶ Average daily gain on calves – birth to weaning
- ▶ Cost per head and per pound at weaning
- ▶ Average daily gain – weaning to slaughter
- ▶ Live weight at slaughter
- ▶ Cost per head and per pound at slaughter
- ▶ Carcass yield in pounds
- ▶ Dressing percentage
- ▶ Yield of various cuts of meat (if sold as cuts)
- ▶ Average cost per pound of marketable meat (if sold as cuts)

Chapter 13 will address the use of financial and production records. For now, remember that accurate records are the foundation of an effective, flexible business plan. The [Texas A&M AgriLife Extension Budgets](#) on the [Texas A&M AgriLife Extension Agricultural Economics](#) website provides representative estimates of production costs and returns in different areas, which can serve as a starting point where business records do not exist already.



CHAPTER 11: ENTERPRISE SELECTION, BUDGETING, AND PRICE SETTING

Cow-calf enterprise budget

With the basics in supply and demand and the records necessary to manage a business in place, a pricing strategy and business plan are the next steps. The following section includes an example with data representative of 2021 and 2022 to trace expenses and incomes through a business and to calculate example break-even prices.

Break-even pricing can inform decision makers where profits can be earned. The break-even price is the price point at which a product will earn zero profit, or the price required to cover all costs. The first step in calculating a break-even price is knowing the cost of production. Use enterprise budgets to estimate the cost of production.

An enterprise budget is a listing of all incomes and expenses associated with a specific enterprise, not necessarily the entire business. For example, maybe a business only retains ownership of a select number of calves out of its larger cattle business for sale as beef directly to consumers. The cow-calf enterprise budget can represent the entire cow-calf entity, potentially including the calves intended for direct sale, particularly if those calves are chosen later in the production cycle. Alternatively, if a select group of cows that produce the calves for direct-to-consumer beef, that group may need its own enterprise budget. As stated in Chapter 10, it's okay to start simple and refine the budget over time.

Cow-calf and stocker budgets can be found at the [Texas A&M AgriLife Extension Agricultural Economics Crop and Livestock Budget](#) website. The cow-calf and stocker budgets may have different categories and costs by category depending on the region, but budgets for each are available statewide. The cow-calf and stocker budgets presented in this chapter are representative of the Texas Panhandle.

The custom feeding and custom harvest budgets presented in this chapter are adapted from North Dakota State University and Michigan State University, respectively. These websites are available in the Additional Resources Appendix. Additionally, there are blank budgets at the end of this book for use in developing individual enterprise budget.

An in-depth review of the cow-calf budget will demonstrate how to use enterprise budgets. The following sections will highlight any unique considerations for the stocker and custom feeding budgets. The last section of this chapter will dive in-depth into the custom harvest budget and some special considerations for break-even pricing in beef marketed directly to consumers.

Cow-calf budget

Cattle producers are probably already familiar with a cow-calf enterprise budget, though their structures vary. Most enterprise budgets consist of three parts:

- ▶ Income,
- ▶ Variable expenses, and
- ▶ Fixed expenses,

and are holistic pictures of an enterprise for a set unit of time—usually a year.

For the purposes of this example, income is generated through calf sales and cull breeding cattle sales. Variable costs change in the short term and depend on the quantity produced. Fixed costs do not change in the short term and may or may not vary depending on the quantity produced. For example, hay and supplemental feed are variable costs. Payments on a land note are not variable costs.

This version of a cow-calf enterprise budget provides a column for per animal income and costs as well as enterprise total incomes and costs. The value in the “Total” column is the result of multiplying the value in the “Quantity” column by the value in the “\$/Unit” column. The “Enterprise Total” column is the result of multiplying the value in the “Total” column by the number of animal units. An animal unit is equivalent to a 1,000-pound beef cow-calf pair. A 1,100-pound beef cow-calf pair would represent 1.1 animal units. In other words, there are 0.91 1,100-pound beef cow-calf pairs per animal unit.

Key figures to take away from the enterprise budget are Total Revenue, Total Variable Costs, Total Fixed Costs, Total Costs, and Planned Returns. Total Revenue, Total Variable Costs, Total Fixed Costs, and Total Costs are simply the summation of those categories, either per head or for the enterprise total. Planned Returns over Variable Costs is equal to Total Revenue less Total Variable Costs, while Planned Returns to Management, Risk, and Profit is equal to Total Revenue less Total Costs.

The Revenue section of the cow-calf budget generates a lot of questions. In this budget setup, revenue is generated on the animal unit, i.e., the breeding cow. Since the cow is the regular revenue-generating asset, costs and revenues are all allocated to on a breeding unit basis. At the herd level, assume a 50/50 split of heifer and bull (later steer) calves. That means that the heifer/steer mix available for sale in a given year begins at 0.5 and 0.5, respectively. However, approximately half of heifers will be retained as breeding stock, bringing the new heifer/steer mix for sale to 0.5/0.25. Finally, the steer/heifer mix is adjusted for death loss, bringing the new mix to 0.425/0.23. Essentially, the budget assumes that 42.5 percent of the calves born will be bulls (later steers) that are successfully weaned and sold. Similarly, the budget assumes that 23 percent of the calves born in will be heifers that are successfully weaned and sold. Each percent probability of the calves' sex is then multiplied by their weight and value per unit to generate total revenue allocated by calves to that animal unit/breeding female.

The heifer value may vary in terms of death loss incorporated, depending on how cull cow values are allocated. Since this enterprise plans to retain half of its heifers for breeding, it must cull a roughly equivalent number of cows. Accounting for death loss in heifers and death loss in cows provides an approximate value of how many cows must be culled to maintain herd size. For the purposes of this enterprise budget, that value is 12 percent of adult cows. The procedure is similar for bulls, though they are not necessarily replaced with homegrown bull calves. Assuming a ratio of a bull per 20 cows, then roughly 5 percent of the revenue generated from the sale of a cull bull would be allocated to each cow.

However, in this enterprise, bulls aren't culled each year, so that ratio is adjusted. For the purposes of this enterprise budget, assume one cull bull per 2 years, distributing 0.8 percent of the sale value of that cull bull to each cow each year. Multiply the percent of the type by the weight per head and again by the value per unit to generate total revenue allocated to that animal unit/breeding female by cull animals.

Utilizing the costs in the enterprise budget yields break-even price, which, again, is just the price needed to cover costs. The formula for break-even price in a cow-calf enterprise is slightly different than normal break-even prices, as it accounts for the value generated from cull animals in addition to the price received for calves. The formula for break-even price in a cow-calf enterprise is:

$$(Cost-Cull\ Cow\ Revenue-Cull\ Bull\ Revenue)/((0.47*Steer\ Weight+0.22*Heifer\ Weight))$$

First, net from costs the revenue generated by cull cows and bulls, meaning that calves can be sold for less to achieve break-even. Then, divide costs by the calf weight sold per animal unit/breeding female, about half a steer and about a quarter of a heifer.

In the enterprise budget example above, the break-even calf price to cover variable costs would be:

$$(\$277.15-\$90.00-\$12.24)/((0.47*5.25CWT+0.22*4.75CWT))=\$52.62/CWT$$

How should someone interpret this, and why use only variable costs? Any price calves are sold for in excess of \$52.62 per hundredweight (\$0.52 per pound) generates revenues in excess of variable costs. In economics, the break-even value to cover variable costs is called the shutdown point. As long as a business is covering all of its variable costs and some portion of its fixed costs, it is better off to continue producing rather than shutting down. Every unit produced yields some revenue that can be allocated toward fixed costs, which must be paid no matter what. If the price received falls below the break-even value to cover variable costs, there is no extra money to allocate to fixed costs, money is lost with each unit produced, and therefore, the business should shut down.

In the enterprise budget example above, the break-even price calf price to cover total costs would be:

$$(\$580.52-\$90.00-\$12.24)/((0.47*5.25CWT+0.22*4.75CWT))=\$143.90/CWT$$

Any price received for calves in excess of \$143.90 per hundredweight (\$1.44 per pound) yields true profit. The enterprise is covering all of its variable costs and all of its fixed costs. So, for this enterprise in which the calf price exceeds the break-even price to cover fixed costs, a true profit is achieved.

Stocker enterprise budget

This section will focus on a few unique aspects of the stocker enterprise budget, but not on the general structure. For

questions on the general structure of an enterprise budget, look into the cow-calf section.

As mentioned previously, there are advantages to transferring calves to different enterprises within a business, if only on paper, to better isolate and utilize operational and financial efficiencies. Producers may develop different business entities and actually sell a calf from one enterprise to another. This is worth consideration to mitigate certain legal liabilities in the fed cattle to beef transfer. However, for each enterprise within the production of a live animal, one need only transfer that animal on paper for internal records without the need for an official sale between entities. This is done using transfer prices.

When examining the cow-calf and stocker budgets, notice that steers and heifers in the cow-calf budget sold for \$175 per hundredweight equal to the cost of the stocker purchase price in the stocker budget. Again, these calves haven't actually been sold, only transferred on paper using a representative price. Since a sale wasn't made, a representative price must serve as a placeholder. There is a host of publicly available data from which to choose a transfer price, as long as it is realistic to the operation and region. Local auction prices posted on [USDA's Agricultural Marketing Service \(AMS\)](#) website or Chicago Mercantile Exchange (CME) prices adjusted for basis are reliable sources. Be sure to use the same source for transfer prices across time for consistency.

Notice that 131 head were transferred, roughly the number of calves weaned from the cow-calf enterprise to the stocker enterprise. However, stocker revenue generated was also adjusted for a 4 percent death loss or a sale of 96 percent of the calves originally purchased, with the expenses of those lost calves allocated across the smaller number of head sold.

The last point to consider for the stocker budget is the lack of fixed costs. The enterprise represented in this budget leases pasture on a gain contract at a rate of \$0.55 per pound gained. Therefore, there are no fixed costs. Stocker enterprises are some of the most variable agricultural businesses in terms of structure, so it's important to determine whether to allocate any expenses to the fixed costs category.

Utilizing the costs in the enterprise budget, establish a break-even price, which, again, is just the price needed to cover costs. The formula for break-even price in this stocker enterprise does account for death loss by adjusting the number of head sold value. The formula for break-even price in a stocker enterprise is:

$$Cost/((0.96*Stocker\ Weight))$$

Because there are no fixed costs in this enterprise, the break-even price to cover variable costs is the same as the break-even value to cover total costs. In the enterprise budget example above, the break-even calf price to cover total costs would be:

$$\$1,196.60/((0.96*7.5CWT))=\$166.19/CWT$$

PROJECTIONS FOR PLANNING PURPOSES ONLY — NOT TO BE USED WITHOUT UPDATING
2022 ESTIMATED COSTS AND RETURNS PER ANIMAL UNIT
COW-CALF BUDGET
PANHANDLE EXTENSION DISTRICT - 1

Animal Units	200
Breeding Females	200

REVENUE	Head	Quantity Per Head	Units	\$/Unit	Total	Enterprise Total
Steer	0.425	5.25	CWT	\$175.00	\$390.47	\$78,093.75
Heifer	0.23	4.75	CWT	\$175.00	\$191.19	\$38,237.50
Cull Cow	0.12	10	CWT	\$75.00	\$90.00	\$18,000.00
Cull Bull	0.008	18	CWT	\$85.00	\$12.24	\$2,448.00
Total Revenue					\$683.90	\$136,779.25

VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Miscellaneous					
Miscellaneous - Cow	1	AU	\$5.00	\$5.00	\$1,000.00
Marketing Expense	1	AU	\$25.31	\$25.31	\$5,062.00
Feed					
Supplement	350	Pound	\$0.22	\$77.00	\$15,400.00
Hay Pound	280	Pound	\$0.11	\$30.80	\$6,160.00
Mineral	50	pound	\$0.43	\$21.50	\$4,300.00
Vet. Medicine					
Vet. Medicine - Cow	1	AU	\$25.00	\$25.00	\$5,000.00
Fuel	1	AU	\$5.03	\$5.03	\$1,006.00
Lube (As a % of fuel)	10.00%	Percent	\$5.03	\$0.50	\$100.60
Repairs	1	AU	\$13.03	\$13.03	\$2,606.00
Labor	3.72	Hours	\$15.47	\$57.55	\$11,509.68
Interest on Credit Line			6.30%	\$16.43	\$3,285.09
Total Variable Costs				\$277.15	\$55,429.37

Planned Returns Above Variable Costs:				\$406.75	\$81,349.88
Average Calf Breakeven Price to Cover Variable Costs		\$52.62	CWT		

FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Depreciation - Equipment	1	AU	\$12.46	\$12.46	\$2,492.00
Depreciation - Livestock	1	AU	\$17.71	\$17.71	\$3,542.00
Equipment Investment	\$566.64	Dollars	6.30%	\$35.70	\$7,139.66
Pasture Cost	25	Acres	\$9.50	\$237.50	\$47,500.00
Total Fixed Costs				\$303.37	\$60,673.66
Total Costs				\$580.52	\$116,103.03
Planned Returns to Management, Risk, and Profit:				\$103.38	\$20,676.22
Average Calf Break-even Price to Cover Total Costs		\$143.90	CWT		

In this enterprise, the break-even price is greater than the price per pound each calf was sold for, representing a loss of \$15.80 per hundredweight. This loss illustrates two ideas made to this point; it is unlikely that all enterprises make money at the same time and understanding each enterprise within a business can help identify weak spots that need improvement.

Custom feeding enterprise budget

The custom feeder budget again utilizes transfer prices to move a set of calves, adjusted for death loss, between enterprises, this time from the stocker enterprise. The transfer price paid by the feeding enterprise for the 750-pound stocker calves is \$1.64 per pound for the 126 calves transferred, for a total purchase expense of \$1,230 per head.

PROJECTIONS FOR PLANNING PURPOSES ONLY — NOT TO BE USED WITHOUT UPDATING
2022 ESTIMATED COSTS AND RETURNS PER ANIMAL
STOCKER BUDGET
PANHANDLE EXTENSION DISTRICT - 1

Number of Head	131					
REVENUE	Head	Quantity Per Head	Units	\$/Unit	Total	Enterprise Total
Stocker	0.96	7.5	CWT	\$164.00	\$1,180.80	\$154,684.80
Total Revenue					\$1,180.80	\$154,684.80
VARIABLE COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs						
Stocker Purchase		5.00	CWT	\$175.00	\$875.00	\$114,625.00
Stocker Delivery		1	Head	\$7.50	\$7.50	\$982.50
Grazing						
Gain Contract		250.00	Pounds	\$0.55	\$137.50	\$18,012.50
Health						
Health and Vet - Stocker		1	Head	\$25.00	\$25.00	\$3,275.00
Feed						
Mineral		15	Pound	\$0.43	\$6.45	\$844.95
Hay		0.1	Ton	\$217.98	\$21.80	\$2,855.54
Miscellaneous						
Preconditioning		1	Head	\$70.00	\$70.00	\$9,170.00
Miscellaneous - Stocker		1	Head	\$5.00	\$5.00	\$655.00
Labor		1	Head	\$29.29	\$29.29	\$3,836.99
Interest on Credit Line				6.30%	\$19.06	\$2,496.85
Total Variable Costs					\$1,196.60	\$156,754.32
Planned Returns Above Variable Costs:					\$(15.80)	\$(2,069.52)
Average Calf Break-even Price to Cover Variable Costs			\$166.19	CWT		
FIXED COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
Total Fixed Costs					\$-	\$-
Total Costs					\$1,196.60	\$156,754.32
Planned Returns to Management, Risk, and Profit:					\$(15.80)	\$(2,069.52)
Average Calf Break-even Price to Cover Total Costs			\$166.19	CWT		

Once again, there are no fixed costs as the enterprise in this example is leasing feed yard space and labor to custom feed the pen, and head sold accounts for a 2.5 percent death loss.

Cost of gain is the critical component on which to focus in a custom feeding budget. Many yards will quote a true cost of gain, which accounts for the cost of feed and other costs. Feed cost of gain represents the cost from feed alone. Using corn price, the in-weight, out-weight, and feed to gain ratio, yields an estimated total feed cost of gain:

Feed Cost of Gain=Cost of Corn per Pound((Pounds of Feed)/
(Pounds of Gain))*Total Gain (Pounds)*

For the purposes of this enterprise, the cost of corn is \$7.50 per bushel. To convert bushels of corn to pounds of corn, simply divide by 56, the weight in pounds of a bushel of corn. The resulting cost of corn per pound is \$0.13. On average, assume approximately 7 pounds of feed to 1 pound of gain, and the target sale weight of 1,300 pounds less the in-weight of 750 pounds, which yields an expected gain per head of 550 pounds. The resulting feed cost of gain is:

Feed Cost of Gain=\$0.13(7/1)*550=\$500.50*

The resulting feed cost of gain per hundredweight and approximate yardage fee per head are \$91.00 and \$22.75, respectively.

Utilizing the costs in the enterprise budget, establish a break-even price, which, again, is just the price needed to cover costs. The formula for break-even price in this custom feeding enterprise does account for death loss by adjusting the number of head sold value. The formula for break-even price in a custom feeding enterprise is:

$$\text{Cost}/((0.975 * \text{Fed Cattle Weight}))$$

Because there are no fixed costs in this enterprise, the break-even price to cover variable costs is the same as the break-even value to cover total costs. In the enterprise budget example above, the break-even calf price to cover total costs would be:

$$\$1,796.58/((0.975 * 13\text{CWT})) = \$141.74/\text{CWT}$$

In this enterprise, the break-even price is greater than the price per pound each calf was sold for, representing a loss of \$22.08 per head. Again, this highlights the importance

of transferring calves on paper using transfer prices to identify financial and operational strengths and weaknesses across enterprises.

The custom feeding enterprise is a convenient stage to discuss the idea of “breaking” a budget or testing the bounds. The idea of preparing for the worst-case scenario and reacting to the best-case scenario was presented early on. Enterprise budgets can be used to do exactly that. Consider the feed cost of gain again.

The previous estimate of feed cost of gain rested on the assumption that corn price was \$7.50 per bushel. However, from January 2021 to April 2021 alone, cash corn on the southern plains at one point fell to \$5.25 per bushel and rose as high as \$7.75 per bushel, with more localized cash bids eclipsing \$8.50 per bushel south of Lubbock.

**PROJECTIONS FOR PLANNING PURPOSES ONLY — NOT TO BE USED WITHOUT UPDATING
2022 ESTIMATED COSTS AND RETURNS PER ANIMAL UNIT
CUSTOM CATTLE FEEDING BUDGET**

Number of Head	126					
REVENUE	Head	Pay Weight or Amount	Units	\$/Unit	Total	Enterprise Total
Fed Cattle Sales	0.975	13	CWT	\$140.00	\$1,774.50	\$223,587.00
Total Revenue					\$1,774.50	\$223,587.00
VARIABLE COSTS	Quantity		Units	\$/Unit	Total	Enterprise Total
Production Costs						
Feeder Purchase	7.50		CWT	\$164.00	\$1,230.00	\$154,980.00
Fed Cattle Delivery	1		Head	\$10.00	\$10.00	\$1,260.00
Health						
Health and Vet - Feeder/Fed	1		Head	\$-	\$-	\$-
Cost of Gain						
Feed Cost of Gain	5.50		CWT	\$91.00	\$500.50	\$63,063.00
Yardage Fees	1		Head	\$22.75	\$22.75	\$2,866.50
Miscellaneous						
Miscellaneous - Feeder/Fed	1		Head	\$-	\$-	\$-
Interest on Credit Line				6.25%	\$33.33	\$4,199.34
Total Variable Costs					\$1,796.58	\$226,368.84
Planned Returns Above Variable Costs:					\$(22.08)	\$(2,781.84)
Average Calf Break-even Price to Cover Variable Costs				\$141.74	CWT	
FIXED COSTS	Quantity		Units	\$/Unit	Total	Enterprise Total
Total Fixed Costs					\$-	\$-
Total Costs					\$1,796.58	\$226,368.84
Planned Returns to Management, Risk, and Profit:					\$(22.08)	\$(2,781.84)
Average Calf Break-even Price to Cover Total Costs				\$141.74	CWT	

**Adapted from South Dakota State University Extension Beef Cattle Enterprise Budgets*

Consider just the variation between \$7.50 per bushel and \$8.50 per bushel, a 13 percent increase in the cost of one of the most significant expenses in cattle feeding. What does that do to a budget? What does that do to a break-even price? If corn were priced at \$8.50 per bushel, the new cost per pound would equal \$0.15 per pound. Using the same efficiencies and target weights, the new estimated feed cost of gain would be:

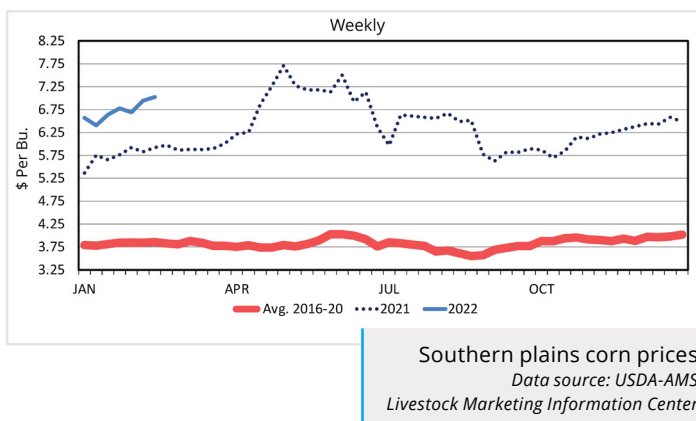
$$\text{Feed Cost of Gain} = \$0.15 \times (7/1) \times 550 = \$577$$

or \$105.00 per hundredweight. Utilizing the same enterprise budget example above, but adjusting for an increased feed cost of gain, the new break-even price calf price to cover total costs would be:

$$\$1,882.11 / ((0.975 \times 13\text{CWT})) = \$148.49/\text{CWT}$$

A break-even price of \$148.49 per hundredweight against the estimated sale value of \$140 per hundredweight, adjusted for death loss, represents a loss per head of \$107.61.

This simple example represents the value of testing the bounds of a budget and of splitting enterprises, at least on paper. Maybe the additional dollar per bushel cost of corn is too expensive, maybe it's not. If enough forage is available to place calves into a custom feeding yard at 850 pounds rather than 750 pounds, there may be a net system-wide return by having this comparison on hand when it is time to make a shipping decision. Earlier sections discussed the dynamics of the fed cattle market during COVID-19. What happens to these budgets if cattle must be held on feed or an extra 20 days? What about an extra 40 days? Testing the bounds of a budget can also help with a marketing plan on the live animal side. How can one know what a "good" input price to hedge is, or for that matter, what a "good" sale price is for calves without establishing and testing a budget?



In addition to providing good decision-making data to the producer, testing the bounds of a budget can help develop risk management strategies. Chapter 15 will discuss a suite of tools designed to help limit exactly how much a budget will "break" in response to unforeseen events.

Custom harvest enterprise budget

Each enterprise presented to this point has assumed that the producer is a price taker. Though one may not technically sell calves from a stocker enterprise to a custom feeding enterprise, the transfer prices used are going to be representative of a market in which the seller is a price taker. Here again, the custom harvest enterprise is likely going to function as a price taker when transferring ownership of the live animal to the custom harvest enterprise. For this example business, the custom harvest enterprise will take ownership of the fed calf for a transfer price of \$140 per hundredweight. Again, consider the value of establishing a separate legal entity to market beef products, in which case a sale would actually occur.

However, beyond the custom harvest stage, producers function as price setters; they get to choose what to charge for beef products, and the ownership of that animal will actually change hands. Remember that producers are now, at minimum, in a much smaller competitive market. There are relatively few producers marketing beef directly to consumers. On the extreme end, one might consider producers selling beef directly to consumers a monopoly. They are the only entity on the planet selling their beef. In either extreme, producers hold price-setting power.

While holding power to dictate prices to buyers is one of the main advantages of marketing livestock and/or beef directly to consumers, price-setting power also comes with numerous questions, the most prominent of which is, "What should I charge?"

Custom harvest costs

Custom harvest costs are going to vary widely depending on the processor a producer choose to work with. We have surveyed a variety of processors and producers engaged with processors for custom harvest and reviewed data on other processor websites to come to the values in the Custom Harvest Enterprise Budget, the structure of which was adapted from a Michigan State Grain-Fed Freezer Beef Pricing worksheet.

Major expense categories for custom harvest include the cost of slaughter and a mix of the cost to cut, wrap, and freeze the beef. Some custom processors delineate between activities that occur post-slaughter, while others charge one rate per pound, so long as customers aren't looking for expensive and/or unusual cuts. The sample custom harvest enterprise charges \$0.19 per pound of hot carcass weight and \$1.15 per pound for total cutting, wrapping, and freezing costs.

There is a difference between live weight, hot carcass weight, and chilled weight. Live weight is the weight of a calf, or if delivering a load, the average weight of the calves in a load. When the live weight is taken can vary between the origin point and the harvest point but is always taken prior to harvest. The hot carcass weight is the weight of the unchilled carcass in pounds after the head, hide, and internal organs have been removed. Hot carcass weight typically ranges from 60 to 64 percent of the live animal

PROJECTIONS FOR PLANNING PURPOSES ONLY — NOT TO BE USED WITHOUT UPDATING
2022 ESTIMATED COSTS AND RETURNS PER ANIMAL UNIT
CUSTOM CATTLE PROCESSING BUDGET

Number of Head 123

REVENUE	Pay Weight or Amount	Units	\$/Unit	Total	Enterprise Total
Beef Sales	578.34	Pounds	\$5.50	\$3,180.87	\$392,773.83
Total Revenue				\$3,180.87	\$392,773.83
VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Fed Calf Purchase	13.00	CWT	\$140.00	\$1,820.00	\$224,733.60
Slaughter Cost	850.50	LB Hot	\$0.19	\$161.60	\$19,953.75
Cutting, Wrapping, Freezing Cost	850.50	LB Hot	\$1.15	\$978.08	\$120,772.70
Further Processing	0.00	Head	\$25.00	\$-	\$-
Packaging/Labeling	578.34	Lb Hot	\$-	\$-	\$-
Customer Acquisition (Advertising, etc.)	1.00	Lb Sold	\$-	\$-	\$-
Product Storage (Electricity, Rented Space, etc.)	1.00	Lb Sold	\$-	\$-	\$-
Product Shipping	1.00	Lb Sold	1.00%	\$0.01	\$1.23
Interest on Credit Line			6.30%	\$71.80	\$8,865.77
Total Variable Costs				\$3,031.48	\$374,327.05
Planned Returns Above Variable Costs:				\$149.39	\$18,446.77
Average Calf Break-even Price to Cover Variable Costs			\$5.24	Pound Sold	
FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Other Fixed Costs	1	Lb Sold	\$-	\$-	\$-
Other Fixed Costs					
Other Fixed Costs					
Total Fixed Costs				\$-	\$-
Total Costs				\$3,031.48	\$374,327.05
Planned Returns to Management, Risk, and Profit:				\$149.39	\$18,446.77
Average Calf Break-even Price to Cover Total Costs			\$5.24	Pound Sold	

weight but can vary widely. The chilled weight is the final amount of beef available for sale after accounting for deboning, trimming of excess fat, and evaporation during the chilling period.

This enterprise budget includes additional space for use if a custom processor splits out processing, packaging, and labeling. There are also lines for the cost of storage and the cost of shipping, each of which is addressed later. Once again, there are no fixed costs, as the enterprise in this example is hiring processing capacity and labor to harvest and process the animal.

Though producers have the power to set prices as a seller of their own beef, it is still beneficial to utilize break-even pricing to determine how much to charge to create profit. The method of break-even pricing will vary depending on the sales method chosen and when ownership of the live animal or beef products changes hands. The sample enterprise budget represents costs and revenues for an enterprise in

which the rancher pays for custom harvesting and markets the beef products at an average price of \$5.50 per pound.

Price setting and expected revenues from sales of custom-exempt cattle and percentages of a carcass

Selling live cattle to a customer who then utilizes a custom-exempt facility to process their animal is the simplest—and probably most popular—way to market beef directly to consumers. However, there are still multiple ways to price a live animal sold to be harvested in a custom-exempt system. The most common setup for pricing animals for sale to a customer who intends to use the custom harvest exemption is charging based on the hot carcass weight, with the customer responsible for the harvesting and processing costs.

Though one may choose to charge based on carcass weight or a break-even price to cover total costs, it is critically important to follow the law to establish appropriate

ownership of the animal at the appropriate time. Refer back to the section of this resource on laws and regulations.

What does price setting using the break-even method look like for this enterprise structure? Return to the custom feeding enterprise budget to answer that question. The seller in this enterprise bears no harvest or processing cost, and so in a real sense, ownership of the animal changes hands upon either pickup or delivery. Therefore, the break-even price would be calculated:

*$(\text{Custom Feeding Cost} + \text{Transportation}) / ((0.625 * \text{Fed Cattle Weight}))$*

Transportation may equal zero, depending on who bears responsibility for the delivery of the animal to the custom harvester. Compared to the previous custom feeding break-even example, total costs must be allocated over fewer pounds, as hot carcass weight is less than live weight. For the example enterprise here, assume that the buyer is responsible for transportation, and the costs are the same as those in our previous custom feeding example. The break-even price per pound of beef to cover total costs would be:

*$(\$1,796.58 + 0) / ((0.625 * 1,300 \text{ Pounds})) = \$2.21/\text{Pound}$*

For the last year, the national average cutout value equaled \$2.92 per pound. If someone chose to charge that price with no markup, they could expect a net profit of \$0.71 per pound or \$603.00 per head.

In general, selling percentages of a carcass doesn't add much complexity over and above selling a live calf for harvest in a custom-exempt facility. The normal procedure is the same as selling an entire animal, with multiple buying parties sharing the expense of the live animal, the expense of harvest, and the expense of further processing. The buyers are charged prices closer to a wholesale value to account for the expense of processing the animal.

There are advantages to selling entire calves or selling a calf to multiple parties for harvest at a facility of the customers' choice. Low overhead and simplicity are two major pluses. That enterprise structure adopts the revenue-generating mechanism of the packing sector while leaving the costs for that process in the hands of the buyer. It also eliminates the headache of inventory management and shipping. However, because the business is essentially functioning as a wholesaler, it is likely to net lower revenues per pound than if it was selling individual retail cuts.

Price setting and expected revenues from selling retail cuts

Selling retail cuts utilizes price segmentation. When selling whole calves or percentages of carcasses, each pound of beef is priced equally. With price segmentation, there are different prices for different cuts. Pricing can be used as a tool to manage inventory by giving discounts on lower value cuts. Those discounts can be balanced by charging premiums for high-quality cuts.



Again, the first step in setting prices is establishing what to charge to break even. Use the example custom harvest enterprise budget to calculate the break-even price for retail cut sales.

Since the example retail cuts enterprise retains ownership of the animal through the custom harvest enterprise, use a transfer price, in this case, \$1.40 per pound. While transferring real ownership from a live animal enterprise to a beef product enterprise isn't required, it can be used as a layer of liability protection. In this example enterprise, the owner bears the harvest and processing costs in addition to any costs for marketing, storage, and shipping. Hot carcass weight must be adjusted by the expected shrink due to evaporation during chill, loss of weight from deboning, and loss of weight from the trimming of excess fat. For the purposes of this example, assume that beef available for sale is roughly 68 percent of the hot carcass weight. There are no fixed costs because this enterprise is renting harvest capacity and processing capacity as well as labor to conduct the work.

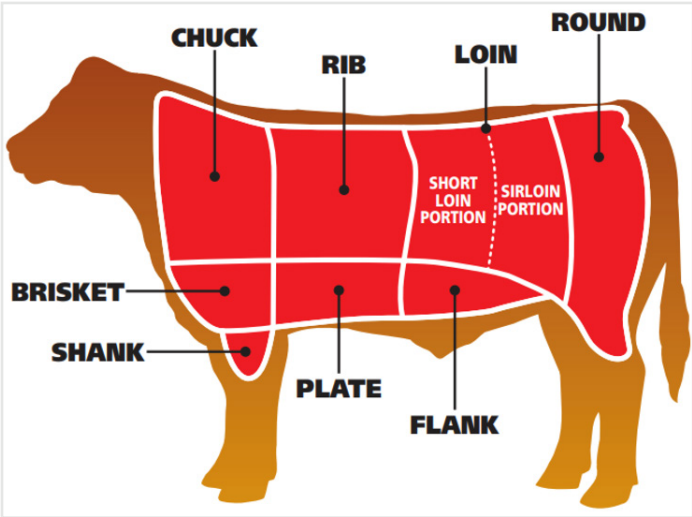
The break-even price for both variable and total costs is calculated:

*$(\text{Calf Purchase Price} + \text{Slaughter Cost} + \text{Cutting, Packaging, Freezing Cost} + \text{Advertising Cost} + \text{Storage Cost} + \text{Shipping Cost}) / ((0.68 * \text{Hot Carcass Weight, Pounds}))$*

For the purposes of this enterprise example, the average price per pound to achieve break-even is:

*$(\$1,820.00 + \$161.60 + \$978.08 + \$0.00 + \$0.00 + \$0.00) / ((0.68 * 850.50)) = \5.24 per pound*

This example lacks some realism. Successful retail beef marketers will include the expenses for advertising, storage, or shipping, regardless of how they structure a retail sales business. The values simply vary so widely that developing a representative budget with those components is not realistic. Instead, advertising, storage, and shipping considerations are addressed in other sections. Be sure to include advertising, storage, and shipping in break-even calculations. Adding those expenses will increase a break-even price.



With the average price per pound necessary to break even established, prices can be segmented to achieve premiums and improve inventory management. Once the carcass is split into retail cuts and prices for those cuts are established, calculate the break-even price previously established as a weighted average price per retail cut and balance premiums and discounts accordingly. A weighted average is a calculation that accounts for the varying values and amounts of product within a given set.

The weighted average for retail cuts is calculated:

$$((\text{Pounds of Retail Cut 1} \times \text{Price of Retail Cut 1 Per Pound}) + (\text{Pounds of Retail Cut 2} \times \text{Price of Retail Cut 2 Per Pound}) + \dots + (\text{Pounds of Retail Cut N} \times \text{Price of Retail Cut N Per Pound})) / \text{Total Retail Weight}$$

The weighted average can be utilized to segment prices while ensuring break-even prices are achieved. Consider an example with three different sets of prices for five retail cuts.

The weights are rough estimates of the hot carcass weight per cut for an average 1,300 live steer. If cattle weigh-in consistently and a direct beef sales business maintains a consistent cut order and cattle makeup, the weight and number of cuts will not significantly vary year to year.

Price Set 1 represents roughly the national average retail price for that cut in December 2021. Price Set 2 represents a strategy in which ground beef is discounted significantly against the national average. Ground beef is regularly moved at a discount in direct sales markets to manage the oversupply. The remaining cuts in Price Set 2 are administered a premium to account for the loss in ground beef revenue, and the weighted average price per pound of retail beef sold is the same. Price Set 3 represents a strategy in which both ground beef and chuck roasts are discounted while the other three retail cuts are administered a premium. Again, the weighted average price per pound of retail beef sold is the same.

Once a break-even price is established using enterprise budgets, back-calculate different mixes of retail prices by cutting using the formula above to ensure breaking even is achieved. Of course, the goal is to do better than breaking even. Charging premiums is an option, particularly on high-value cuts, to net higher returns. There is a template to calculate a weighted average price for retail cuts in the final section of this book.

PRICE SET 1				PRICE SET 2		PRICE SET 3	
RETAIL CUT NAME	WEIGHT OF RETAIL CUT (POUNDS/ CARCASS)	PRICE CHARGED (\$/ POUND)	TOTAL VALUE = WEIGHT OF RETAIL CUT*PRICE CHARGED	PRICE CHARGED (\$/POUND)	TOTAL VALUE = WEIGHT OF RETAIL CUT*PRICE CHARGED	PRICE CHARGED (\$/POUND)	TOTAL VALUE = WEIGHT OF RETAIL CUT*PRICE CHARGED
Ground Beef	135	\$4.55	\$614.25	\$2.50	\$337.50	\$3.00	\$405.00
Chuck Roasts	135	\$6.83	\$922.05	\$7.00	\$945.00	\$5.00	\$675.00
Sirloin Steak	55	\$10.82	\$595.10	\$15.00	\$825.00	\$17.27	\$949.85
T-Bone Steak	13	\$9.82	\$127.66	\$11.00	\$143.00	\$12.75	\$165.75
Round Steaks	55	\$7.38	\$405.90	\$7.51	\$413.05	\$8.50	\$467.50
TOTAL RETAIL CARCASS VALUE = SUM OF TOTAL VALUES OF RETAIL CUT			\$2,664.96		\$2,663.55		\$2,663.10
WEIGHTED AVERAGE RETAIL PRICE PER POUND = TOTAL RETAIL CARCASS VALUE/ CHILLED CARCASS WEIGHT (POUNDS)			\$6.78		\$6.78		\$6.78

			PRIMAL WEIGHT, INCLUDING ESTIMATED TRIM, ASSUMING 62.5% DRESSING		
	PERCENT OF HOT CARCASS WEIGHT	% PRIMAL TO GRIND	1,300-POUND LIVE	1,200-POUND LIVE	1,100-POUND LIVE
	%	%	Pounds		
Rib	9.6%	6.0%	78	72	66
Chuck	26.8%	19.5%	217.75	201	184.25
Round	22.4%	10.3%	182	168	154
Loin	17.2%	2.7%	139.75	129	118.25
Brisket	3.8%	0.0%	30.875	28.5	26.125
Short Plate	8.3%	0.0%	67.438	62.25	57.063
Flank	5.2%	39.5%	42.25	39	35.75

**Adapted from the University of Tennessee's "How Much Meat to Expect from a Beef Carcass"*

The first step is understanding how much of each product comes from a beef carcass. Then, focus on which cuts typically yield premiums and how much of a premium to apply. There are adjustments in the custom harvest enterprise budget example for hot carcass weight (roughly 62 percent of live weight), chilled carcass weight (roughly 61 percent of live weight), and for bone and trim loss to reach boneless cut weight (roughly 42 percent of live weight).

Expect a 1,300-pound live animal to provide roughly 546 pounds of trimmed, boneless beef for sale. The combination of retail cuts that can be taken from the 546 pounds is endless, but without special requests, one can expect relatively consistent quantities, regardless of processor. A Texas processor lists a standard cut sheet online for a half beef that includes:

- ▶ Round steaks – 20 packages
- ▶ Loin tip – 8 packages
- ▶ Top sirloin – 7 steaks
- ▶ Sirloin cap – 3 packages
- ▶ KC strip – 12 steaks
- ▶ Filet mignon – 7 steaks
- ▶ Ribeye or club – 12 steaks
- ▶ Chuck roast – 5 roasts
- ▶ Arm roast – 2 roasts
- ▶ Rump roast – 1 roast

- ▶ Heel of round – 1 roast
- ▶ Brisket – 1 package
- ▶ Short ribs – 10 packages
- ▶ Soup bones – 8 packages
- ▶ Tri-tip – 1 steak
- ▶ Skirt steak – 2 steaks
- ▶ Flank steak – 1 steak
- ▶ Hamburger – 60 pounds

Publicly available pricing data for most retail cuts is condensed into categories like “all steaks” and “all roasts,” which creates challenges for direct analysis of individual cuts. However, price data for primal and sub-primal cuts can be used to identify where the value in a beef carcass is and subsequently which retail cuts to markup based on the primal they are cut from. Beef carcasses and the corresponding price data are commonly broken into seven wholesale cuts: the chuck, rib, loin, round, brisket, plate, and flank. The shank is sometimes included as an eighth wholesale cut.

The heaviest bone-in primal, including trim for grind, is the chuck, which represents roughly a quarter of the hot carcass weight. The lightest bone-in primal, including trim for grind, is the brisket, representing only 3.8 percent of the hot carcass weight. The amount of beef available for sale will vary based on factors like live weight and yield grade.

FIVE-YEAR AVERAGE				
	VALUE	VALUE, NET OF TRIM WEIGHT	PERCENT OF TOTAL WHOLESALE WEIGHT	PERCENT OF TOTAL WHOLESALE VALUE
	\$/Pound	\$	%	%
Rib	3.98	269.45	9%	18%
Chuck	1.97	318.75	22%	22%
Round	1.97	296.88	20%	20%
Loin	3.19	400.35	17%	27%
Brisket	2.05	58.43	4%	4%
Short Plate	1.64	102.09	8%	7%
Flank	1.26	29.74	3%	2%

	GROUND CHUCK	GROUND BEEF, 100% BEEF	LEAN & EXTRA LEAN GROUND BEEF	ALL UNCOOKED GROUND BEEF	CHUCK ROAST, CHOICE, BONELESS	ROUND ROAST, CHOICE, BONELESS
2021	\$455.86	\$432.89	\$603.33	\$487.57	\$661.69	\$598.78
2016–2020 Average	\$392.15	\$380.61	\$557.28	\$426.78	\$538.37	\$524.76
2011–2020 Average	\$385.91	\$369.86	\$529.54	\$419.43	\$523.48	\$517.07

	ALL UNCOOKED BEEF ROASTS	STEAK ROUND, CHOICE, BONELESS	STEAK SIRLOIN, CHOICE, BONELESS	BEEF FOR STEW, BONELESS	ALL UNCOOKED BEEF STEAKS	ALL UNCOOKED OTHER BEEF, EXCLUDING VEAL
2021	\$662.92	\$697.32	\$1,031.18	\$652.23	\$933.67	\$625.03
2016–2020 Average	\$551.25	\$595.15	\$843.19	\$556.75	\$767.32	\$481.88
2011–2020 Average	\$540.25	\$571.26	\$803.99	\$529.50	\$736.55	\$463.84

The most valuable wholesale cut is the loin, which represents more than a quarter of the total wholesale value of a beef carcass. The least valuable wholesale cut is the flank, which represents only 2 percent of the total wholesale beef carcass. Even though the loin is the most valuable cut in total, the most valuable primal per pound is the rib. Assume that administering premiums to cuts from the rib and loin—mostly steaks—will net higher revenues.

Ground beef is missing from these charts. As the boxed beef cutout does not include the value of ground beef, it is not included in the wholesale value calculation. The percent of a carcass allocated to ground beef varies by source. Estimates of grind per carcass range from 85 pounds on the low end to 125 pounds or more. This is a critical point to monitor in partnership with a processor. If there are lighter weights on certain valuable primal cuts and more ground beef in weigh-outs, address it with the processor as soon as possible. Ground beef isn't a bad product, but the same weight sold in steak form will net higher returns.

The table above represents some of the sparse publicly available price data for retail cuts. Other retail values can be found by searching "AMS Market Reports" and the "Bureau of Labor Statistics Meat Price Study." The values presented here are averages of monthly retail prices for the associated period.

Charging a premium for high-value cuts does have the potential to grow total revenues. Charging a premium for beef in relation to traditional grocers is also common in directly marketed beef. Consumers in the market for directly sold beef are buying a concept in addition to the beef product, and there is a value to that concept. Keep a few things in mind when deciding what premium to charge for products.

Consider goals again, which should include the target market. When selling to a high-income area, premiums compared to traditional grocery beef prices may be sustainable. There may be challenges when charging premiums in a middle-income market.



Remember that when charging a premium for products, customers will expect a premium product. If there is a consistent supply of high-quality beef flowing, premiums might be sustainable. However, one poor experience with a product that is expensive relative to store-bought beef may create a negative perception of a business for that customer. This idea may be common sense, but when marketing a small portion of a herd through direct sales, be sure to select animals that will deliver the highest quality.

Do not forget that premiums generate greater revenue per pound, but if they drive customers away, premiums might actually generate less profit. Settling on the profit-maximizing price is a challenging chore but also the reason calculating a break-even price is so important. Our conversations with producers suggest beginning with high prices and offering discounts at any time. Increasing prices will typically have to be infrequent and in small increments. Discounts provide consumers with the perception of savings and can still generate profit as long as products are being sold above the established break-even price.



CHAPTER 12: STORAGE, SHIPPING, AND INVENTORY MANAGEMENT

Additional costs from storage and shipping

As previously discussed, selling retail cuts provides the ability to maximize revenue through price-setting control. However, if calves are harvested each year without a committed buyer and marketed as beef after the fact, there may be additional costs from shipping and storage.

Shipping is a cost that may be passed entirely to the customer, may be shared, or may be borne by the business. If shipping is entirely the responsibility of the customer, be sure to consider the previous note on the potential consequences of overcharging. Even though there may be a difference in the value of beef and the cost to ship it, the customer is likely to see the whole cost as one unit. If shipping expenses are internalized or shared with the customer by covering shipping up to a certain distance or by covering a certain percentage of the shipping cost, be sure to allocate that expense to the break-even calculation.

There are additional methods to consider when evaluating delivery options. If customers are within driving distance, personal delivery or customer pickup are both options. Consider the value of a “story” if customers enter the farm. Farmers’ markets serve as convenient neutral locations to meet to distribute orders and present the added advantage of reaching new customers.

Storage is another critical expense to factor into an enterprise budget when marketing retail cuts. If calves are harvested prior to commitments from a buyer, there must be a place to store those cuts. If the intent is to market retail beef year-round but only send fed cattle to the processor once a year, there must be a place to store product safely. Some custom harvesters factor storage for a short period into the rate they charge for harvest, but that period is not long.

Consider purchasing and operating additional freezer space. The retail beef from a single calf will require approximately 16 cubic feet of freezer space. The cost to operate a deep freezer of that size ranges from \$40 a year to \$60 a year, depending on the age, model, and energy cost per kilowatt hour. That means that, on average, the annual cost to operate a deep freezer that size is \$3.13 per cubic foot. Further, each cubic foot of storage space can hold 36 pounds of beef. At that storage rate, the average annual storage cost of beef equals roughly \$0.09 per pound, which should be factored into the break-even price calculation.

Though deep freezers are typically the most cost-effective to operate, it is important to choose the freezer carefully. Organizing and accessing different cuts of meat in a standup freezer is easier than in a deep freeze. Facilitating a convenient workspace may be worth factoring into the decision, even though a standup freezer will be more expensive to purchase and operate.

There are a number of logistical considerations here, including which shipping service to use, whether there are shipping discounts available, which shipping option to select (overnight versus two-day, for example), what type of

packaging to purchase, what type of coolant will be the best option (usually dry ice or gel packs).

There are some useful resources to offer suggestions on this decision:

- ▶ **Considerations for shipping meat products sold directly from the farm:** <https://cpa.tennessee.edu/wp-content/uploads/sites/106/2020/12/CPA375.pdf>
- ▶ **Beef shipping questions:** [https://beef-cattle.extension.org/how-much-dry-ice-is-required-to-ship-meat-via-2-day-service-can-gel-freezer-packs-be-used-to-keep-meat-frozen-the-weight-of-the-meat-would-range-from-5-to-20-pounds-is-there-a-preferred-styrofoam-c/#:~:text=If%20you%20need%20to%20ship,DRY%20ICE%20NOTES%20at%20end\).&text=Two%2Dday%20service%20can%20work,thermal%20mass%20of%20the%20meat.](https://beef-cattle.extension.org/how-much-dry-ice-is-required-to-ship-meat-via-2-day-service-can-gel-freezer-packs-be-used-to-keep-meat-frozen-the-weight-of-the-meat-would-range-from-5-to-20-pounds-is-there-a-preferred-styrofoam-c/#:~:text=If%20you%20need%20to%20ship,DRY%20ICE%20NOTES%20at%20end).&text=Two%2Dday%20service%20can%20work,thermal%20mass%20of%20the%20meat.)
- ▶ **How to ship dry ice:** <https://www.ups.com/us/en/support/shipping-support/shipping-special-care-regulated-items/hazardous-materials-guide/how-to-ship-dry-ice.page>

Inventory management

One of the most commonly cited issues from those already operating in the retail marketing space is the overabundance of ground meat in relation to other cuts. Remember that ground beef accounts for anywhere from 85 pounds to 125 pounds per carcass, roughly the same weight as the loin and more than the rib. Consumers like ground beef, but they love steaks and high-value cuts, which is why they are more expensive. It is not uncommon for processors to take cut orders on a beef half to get a request for “all ribeyes.”

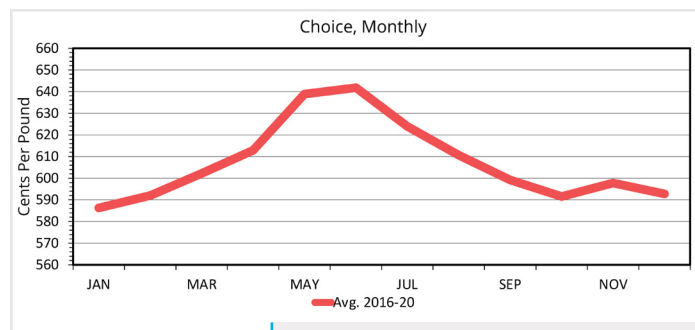
From a marketing perspective, there are a variety of ways to help deal with how to move lower-end cuts. Some producers offer beef box options, where instead of selling individual steaks, a person wanting four ribeyes must purchase the box, which also comes with a roast, round steak, and several pounds of ground beef. Some producers, believing that their quality is better than beef purchased at the grocery store, will include a free pound of ground beef when anyone purchases a steak. This allows the consumer the chance to try the ground beef and, if the producer is right, realize it is better than the grocery store and be willing to purchase it next time. Another producer we interviewed said that she frequently donates excess ground beef to a local food pantry, which provides nutritious beef for the hungry, allows her a tax write-off, and helps keep her inventory balanced.¹⁰ Still, another business we interviewed has started purchasing additional supply of their most popular cuts from a beef broker, allowing them to supplement their supply. On the flip side of that, some businesses sell ground beef at a discount back to the processor, who then uses it to make other items like summer sausage or jerky, for example.

¹⁰ As was discussed in Chapter 4, only beef slaughtered and processed in an inspected facility may be donated. Beef processed in a custom-exempt facility is not permitted to be donated.



Another marketing option could be to use the lower-end cuts and turn those into value-added products. For example, some producers make and sell jerky from the lower-end cuts. Others offer pre-cooked or pre-marinated options, like fajita meat or roasts. This could make those cuts more desirable to the consumer. Keep in mind, taking this approach will likely require additional permitting and regulations from the Texas Department of State Health Services.

Seasonality is another important consideration when thinking about storage and inventory management. Beef prices peak late in the spring and early into the summer during grilling season when demand is highest. Inventory can be managed to target peak price periods rather than simply selling when calves are harvested. If a herd's established calving season is already set up to achieve desired target weights in late spring, little need change to deliver beef at the appropriate time.



Retail beef price
Data source: Bureau of Labor Statistics & USDA-ERS
Livestock Marketing Information Center

However, if the established calving season is set up to deliver slaughter-weight calves in the fall and the goal is to target the time of year when retail beef prices peak, the breeding season must be adjusted or considerations must be made for adequate freezer space. A shift of this magnitude will have implications for forage management and breeding. Utilizing freezer capacity is likely the cheaper option, unless using a marketing claim like "never frozen."



CHAPTER 13: BENCHMARKING AND EVALUATION

As previously mentioned in the opening of Chapter 1, setting goals and measuring performance against those goals is critical to determining whether a new direct beef sales venture is successful. Once there are concrete goals, develop a plan to reach those goals. Along the way, it's important to evaluate two things:

- ▶ Whether the established goals are being met, and
- ▶ Whether the goals are being met in the most efficient way.

Record-keeping and developing enterprise budgets are critical to analyzing performance as well. Without accurate data that is then used, measuring operational efficiencies and profits are simply guesses. The guesses might be educated guesses, but they are still guesses. Once data is collected and developed into enterprise budgets, use those budgets (along with other financial tools, depending on the desired level of complexity) to evaluate performance.

Frequency of evaluations?

The quick answer is once a year, at minimum. However, since the goal is to view each stage of the business through the lens of its own enterprise budget, consider evaluating each stage at least annually. For example, assume the parameters of chosen system established in the example enterprise budget. Consider evaluating each stage at the time calves move from one paper enterprise to another, i.e., light calves onto summer stocker pastures.

Also, remember that agricultural markets are dynamic—they change daily. So, while enterprise budgets can be used for a retrospective evaluation of, say, a cow-calf enterprise, the enterprise budget for the stocker enterprise can be used simultaneously to develop an expected outcome for calves through the stocker stage. Include the expected cost of supplements, transportation, and veterinary medicine, as well as the expected calf sales price. Evaluating expected outcomes is as important as evaluating actual outcomes after the fact.

Questions to answer

Whether a business is profitable should be evaluated in at least three ways:

- ▶ Is the enterprise profitable, strictly speaking? Simply put, do revenues exceed costs for each stage and/or the entire enterprise?
- ▶ Is the enterprise profitable when compared to the cattle operation prior to taking on direct beef sales? Even though there might be a profit on the directly sold beef, if profits are lower than the sale of five-weight calves to someone else, then direct beef sales might not be the best option. This is another excellent reason to split the entire operation into separate enterprises. This practice clarifies how much value is added (value-added being a proxy for profit) at each stage.

- ▶ Is the business profitable compared to the established goals? If the goal is simply to make a profit or to make more profit than the original cattle operation made, then answering Questions 1 and 2 provides the answer to Question 3. However, maybe the goal is to make \$200 per head to make direct selling beef worth the time and effort. Has the business achieved that benchmark?

Efficiency can be examined through unending questions. A few to consider are:

- ▶ Which part of the enterprise is making money? Which part is losing money? Why?
- ▶ Is there room for expansion? Will variable costs increase at a faster rate than revenue will increase, and will expanding make or lose money?
- ▶ Are special labels a profitable option?
- ▶ Is the processor helping maximize profit? What about other partners?
- ▶ Is inventory being managed in a cost-effective way?
- ▶ Is the current enterprise structure the most profitable setup?
- ▶ Is the scope of the target market correct?
- ▶ How much profit is allocated toward growing the business? What amount of profit can be kept?

Tools for benchmarking and evaluation

Using enterprise budgets to evaluate a business's performance is the first step. There are plenty of other tools that can enhance the understanding of a business. Three types of financial statements can answer specific questions of profit, solvency, liquidity, repayment capacity, and financial efficiency.

Income statement

The income statement is the enterprise budget. An income statement measures the success of a business in terms of net income or loss for a period, for the purposes of examples in this resource, a calendar year or shorter. Most farm business income statements include:

- ▶ Farm business receipts
- ▶ Change in inventory value of crops, livestock, and accrued income (accounts receivable)
- ▶ Farm cash operating expenses
- ▶ Change in inventory value of accrued expense, production supply expense, and accrued interest expense
- ▶ Depreciation expenses
- ▶ Gain or loss on sale of farm capital assets
- ▶ Gain or loss due to sale of breeding livestock

For a more detailed overview of income statements, visit AgriLife Learn to view the publication **Income Statement – A Financial Management Tool**, available at <https://agrilifelearn.tamu.edu/s/product/income-statement-a-financial-management-tool/01t4x000004OUTmAAO>.

Cash flow statement

Cash flow is the second stage through which financial information flows. Planning and utilizing a statement of cash flows will provide a view of startup funds (or continuing operation funds) needed through time. Knowing the timing of cash inflows and outflows will inform arrangements necessary for paying off debt. Major categories on the cash flow statement include day-to-day income and expenses, capital asset purchases and sales, and financing, including the payments required to pay off that debt.

There are some specific cash-flow considerations to review when starting a direct beef sales operation. Consider a cow-calf enterprise that will now be retaining ownership through to slaughter to sell beef in some method. That transition will have an impact on farm cash flow. If they choose to retain the calf crop, or a large percent of it, through finishing, they will have a short-run decrease in revenue, potentially delaying income for up to a year. If they are finishing their own cattle on pasture, they might need additional infrastructure to handle additional, larger cattle, which would be a new expense. What about startup marketing and sales costs? Will they be financing those expenditures, and how much would they need to provide upfront?

Many cash flow resources (particularly for agriculture) recommend creating cash flow projections on a quarterly basis, at least during the startup period. A quarterly cash flow statement will more clearly identify revenue-generating periods and cost-generating periods and whether significant gaps will exist between the two. The timing lines up so that cash flow statements can be updated at about the same time as performance. A quarterly cash flow has the added advantage of preparing a business for the inherent seasonality of agricultural commodities.

For a more detailed overview of income statements, visit AgriLife Learn to view the publication **Cash Flow Projection for Operating Loan Determination**, available at <https://agrilifelearn.tamu.edu/s/product/cash-flow-projection-for-operating-loan-determination/01t4x000004OUTiAAO>.

Balance sheet or net worth statement

Typically required by lenders, the balance sheet provides critical information for managing any business. The balance sheet details all farm assets and liabilities, with the difference in the two representing actual equity. The balance sheet is typically prepared on an annual basis and should be prepared at the same time each year to avoid valuation errors on assets and liabilities.

For a more detailed overview of income statements, visit AgriLife Learn to view the publication **Balance Sheet – A Financial Management Tool**, available at <https://agrilifelearn.tamu.edu/s/product/balance-sheet-a-financial-management-tool/01t4x000004OUTgAAO>.

Online courses

According to the Farm Financial Standards Council, there are 21 performance measures that enhance the understanding of farm operation. The data generated through the income statement, cash flow statement, and balance sheet can be used to calculate those 21 performance measures (addressed in the linked resources for each statement) of profit, solvency, liquidity, repayment capacity, and financial efficiency.

Benchmarking and evaluating financial performance are the subjects of entire books and degrees, making it impossible to adequately cover them in a few pages as a section of this resource. However, there are unending resources available online. A good place to start is **Financial Management: The Key to Farm-Firm Business Management**, a short publication available on the AgriLife Learn website at <https://agrilifelearn.tamu.edu/s/product/financial-management-the-key-to-farmfirm-business-management/01t4x000004OUTIAAO>.

There are also three courses available through the AgriLife Learn online platform worth looking into. These courses are self-paced and dive deep into business planning, evaluation, and training with tools designed to help with financial management. The courses are:

- ▶ Business Planning Basics for Farm and Food Enterprises
- ▶ Business Planning and Analysis for Farm and Food Enterprises
- ▶ QuickBooks Desktop Training for Farmers and Ranchers

If, upon using these financial statements and tools, some key ratio is out of line with expectations, the next step is to identify why. Upon identifying the cause of the problem, evaluate different solutions, and because there are quality financial statements, each solution and its subsequent impact on the financial health of the farm can also be evaluated.

Comparing systems

As already mentioned, it is important to evaluate not only the chosen business structure/system but also the

alternatives. Each system can be evaluated using a mix of the enterprise budgets, labeling claims, and advertising strategies covered in this text. The table below is a template to compare the outcomes of multiple systems.

	SYSTEM 1	SYSTEM 2	SYSTEM 3
System Name			
# Head of Cattle to Finish			
Pasture Size			
Forages/Amounts			
Grain/Amounts			
Costs to Produce Feed Resources Necessary			
Additional Infrastructure Changes Needed			
Custom Finishing Considerations/Costs			
Custom Harvest Considerations/Costs			
System Expected Net Returns			
Other Notes			

**Adapted from North Carolina State University Direct-to-the-Consumer Beef Marketing Handbook*



CHAPTER 14: SIMILAR ALTERNATIVES TO DIRECT-TO-CONSUMER BEEF SALES

As mentioned earlier, sales methods really are as endless as the entrepreneur's creativity. The methods in the financial examples assume producers connect directly with consumers with no retail case or storefront.

However, there are a variety of sales venues that might offer more of the retail dollar that are alternatives to direct producer to consumer marketing. Though some of them do not offer as much connection to consumers, they are worth mentioning as alternatives to explore when considering a direct sales enterprise. Here are four approaches for a cow-calf enterprise to capture more of the retail dollar that are alternatives to the direct-to-consumer sales methods analyzed in this book.

Retained ownership of calves through the feed yard

Retaining ownership through the feed yard is an essential component of any direct sales enterprise in which cattle aren't finished on pasture. For existing cow-calf operation, retaining ownership of those calves through the feed yard is a simple way to begin capturing more of the revenue from cattle. The idea here is to contract with a feed yard that will feed lightweight animals to a slaughter weight and who will charge a fee for the service.

There are plenty of different systems within this idea. For example, one could sell the calves to a packer with the hope that the weight gain in the feed yard netted more revenue than the cost of feed. One could also begin the direct sales enterprise at this stage, identifying calves to sell for custom exemption and/or calves to sell through some kind of harvest-sell enterprise. There may not be a connection directly to the consumer through retained ownership only, but in some years, it might net additional profit above the sale of a weaned calf.

Farmers' markets

Farmers' markets offer the classic image of sales directly to consumers. There probably isn't a sales venue that allows a more direct connection to consumers than farmers' markets. There are challenges, though. There must be beef ready for sale at the same time farmers' markets are happening or there must be a system in place to take orders that will be filled later. There are also some food safety considerations to keep in mind if selling cuts at a farmers' market.

Local retailers and restaurants

Partnering with local retailers and restaurants provides access to more of the retail dollar but, again, eliminates some of the connection to consumers. Working with established retailers and restaurants does offer the advantage of using another entity's existing infrastructure to grow a brand and sales. The retailers are likely to have their own marketing and advertising, so the initial contact with a

product is handled by another party in exchange for revenue potential, of course. Another positive about partnering with a retailer is the guarantee of a buyer, or at minimum, recourse for purchase agreements that aren't followed. Key challenges in partnering with local entities include inventory management. In a system that calves and harvests two times a year, partnering with an entity that needs beef 365 days a year, there may be a need to make production adjustments. There is also some give and take on pricing in partnering with retailers; if they are a business's only buyer, the seller loses a lot of price-setting power.

Third-party online retailers

Partnering with a third-party online retailer is a mix of partnering with a brick-and-mortar store or restaurant and marketing products using digital infrastructure. Some popular examples of third-party online retailers include ButcherBox and Crowd Cow. Some of these are subscription services, while others are "pay as you go." These sales venues vary widely but, in general, serve to connect consumers to protein. In some cases, these services connect consumers to producers while others serve as middlemen connecting customers to the farm they want to purchase from.

The benefits from partnering with one of these entities can range depending on their structure. In certain cases, the arrangement simply a partnership with an online retailer that markets beef products for producers. In other cases, commitments come with associated requirements for production practices and delivery times, where it is possible consumers will not know who produced their beef. Be sure to understand which the arrangement is before taking the plunge. A final note on third-party online retailers. Scrolling through their websites and deals offers a look into options for direct-to-consumer beef sales businesses. Remember the inventory issue created by an abundance of ground beef? Certain online retailers offer a free pound of ground beef with every subscription box. Is that ground beef actually free to the consumer? No, it probably isn't, though the sellers are likely selling it at cost. The seller worked out the cost of producing ground beef and are using weighted average pricing to get the product moved at no-loss, no-profit to themselves. However, they have calculated that moving ground beef this way is less expensive than storing it for long periods, and consumers get the impression that they are receiving a deal.



CHAPTER 15: RISK MANAGEMENT AND FEDERAL DISASTER PROGRAMS

Using 7 years of plenty to prepare for 7 years of famine—risk management has been around for a very long time, and it is a critical differentiator between top performers and the rest of the pack. An entire section of this work is dedicated to legal risk management. Ensuring compliance with regulations prevents legal liability and is a form of legal risk management.

This chapter will focus on managing financial risk. Every business faces financial risks, whether from changing market trends, geopolitical forces, or the presence of alternatives. Diversifying a cattle business by selling beef directly to consumers can even serve as a risk management. A more direct pipeline to customers might insulate a cow-calf enterprise from changing market trends and, at minimum, will provide diversity to the income stream.

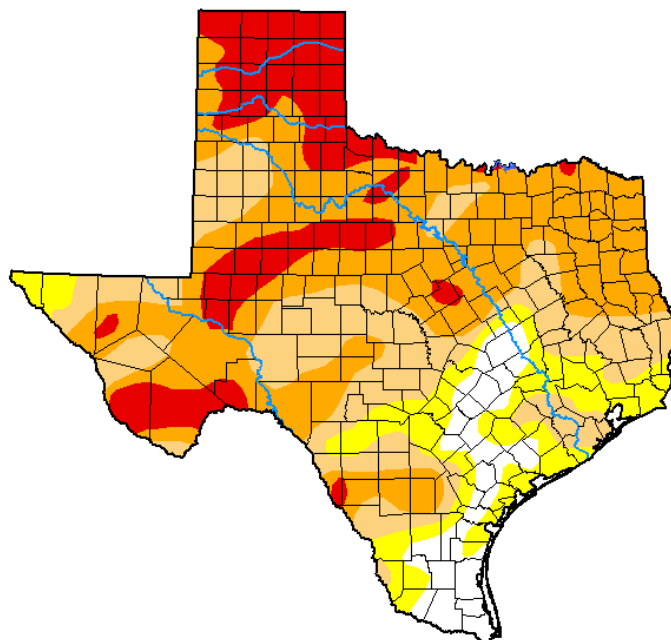
There are risks that are unique to agriculture due to its dependence on biological processes and the natural world. Biological risk comes from agriculture's use of living organisms and the time it takes to raise and market them. For example, consider a calf crop grown with intent to direct market as beef. If breeding occurs beginning today and lasts 90 days, a safe assumption for the average conception date is 45 days from now. Add to that date 283 days of gestation on average. Once the calf is born, assume that it will be harvested and sold at approximately 20 months of age. That means that decisions made today will not see a final outcome for around 928 days (almost 31 months)!

Compounding the risk inherent in cattle production is the risk placed on cattle producers from the natural world. Consider the data from the US Drought Monitor. In January 2020, 57 percent of Texas was in some form of drought, ranked from D0 to D4. By January 2022, 92 percent of Texas was in some form of D0 to D4 drought. That change occurred in less time than the 928 days just established as the time from breeding decisions to harvest. Droughts are common in Texas, can be severe, and have drastic impacts on the bottom lines of farms and ranches.

Keep in mind that selling beef directly to consumers may open a business to added risk. Any time a business owns a product longer prior to sale, the business incurs additional risk. Expanding from a cow-calf enterprise to custom feeding and custom harvesting exposes a ranch to more time risk, more production risk, and more and different types of price risk. The new enterprises are exposed to risk from the corn market, corn being a critical feed input in finishing cattle, the fed cattle market, and the beef market, to name just a few. Certain risk management tools can help lessen these risks as well.

The question then is how to manage agricultural risk. The rest of this section addresses a suite of risk management tools available to producers. Individually, these tools can be very useful. When used collectively, they can create a safety net that is effective at mitigating challenges from production risk, price swings, or a mix of the two.

U.S. Drought Monitor Texas



January 4, 2022

(Released Thursday, Jan. 6, 2022)

Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	7.58	92.42	79.83	54.25	16.69	0.00
Last Week 12-28-2021	13.02	86.98	67.27	36.58	10.65	0.00
3 Months Ago 10-05-2021	55.05	44.95	8.26	0.27	0.00	0.00
Start of Calendar Year 01-04-2022	7.58	92.42	79.83	54.25	16.69	0.00
Start of Water Year 09-28-2021	45.57	54.43	7.26	0.27	0.00	0.00
One Year Ago 01-05-2021	17.37	82.63	58.34	37.80	19.24	8.20

Intensity:

None	D2 Severe Drought
D0 Abnormally Dry	D3 Extreme Drought
D1 Moderate Drought	D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

Author:

Richard Tinker
CPC/NOAA/NWS/NCEP



droughtmonitor.unl.edu

Hedging with futures or options

Hedging is the act of taking a position in the futures market that is equal and opposite to a position held in the cash (physical) market. Essentially, hedging locks in a price by balancing losses in one market with gains in another market. The literature on utilizing futures and options is robust. There are hundreds of hedging strategies using a variety of futures and options combinations and important nuances to address in each strategy. Extensive literature and resources exist on the Texas A&M AgriLife Extension Library Marketing and Risk Management section or through Texas A&M AgriLife Extension's Master Marketer Program.

When a commodity price is acceptable prior to the time the commodity will be sold in the cash market, a producer can use a selling hedge to reduce the risk of declining prices. For example, assume a business plans to sell 50,000 pounds (a contract's worth) of feeder cattle. The price in March, the delivery date, is \$1.50 per pound, but the owner fears that the price may decline. The owner could sell (short) a March futures contract at \$1.50 per pound.

Now assume the owner is correct, and by the time March arrives, the price of feeder cattle has declined to \$1.40 per pound. The result? The owner sells the 50,000 pounds of real feeder cattle for \$1.40 per pound. They buy back (go long) their March futures contract at \$1.40 per pound. The original futures contract sale grossed \$1.50 per pound, and the new purchase to liquidate that contract at \$1.40 per pound left the owner with \$0.10 per pound earned in the futures market, equal to the loss on the real feeder cattle. Though the market for physical cattle declined, the owner offset those losses in the futures market.

The risk from a pure futures contract is that the accounts must be balanced, meaning that if prices go above the owner's forecast of \$1.50 per pound, they may be subject to a margin call. If the price goes up to \$1.60 per pound, the owner would owe \$0.10 per pound. The real feeder cattle are appreciating in value simultaneously, of course, but aren't generating cash while their value fluctuates. This can result in cash squeezes and real liquidity problems. Margin calls can be expensive and are often cited as preventing producers from using a futures contract.

Enter the option contract. A commodity put option contract gives the buyer (also known as the purchaser or holder) the right, but not the obligation, to sell a specific futures contract at a known fixed price at any time before or on a certain expiration date. A put is essentially price insurance, where the premium is paid to the party taking the opposite position in the futures market. Options can limit downside but leave unlimited upside potential, minus the cost of the option.

Assume the same circumstances from the earlier futures example. The cattle owner wants to lock in \$1.50 per pound for their feeder cattle. The cost of a put option is \$0.02 per pound. As the price declined to \$1.40 per pound, they retained the right to sell their futures contract at \$1.50 per pound. Once the premium is netted out, they are left with a

price of \$1.48 per pound, less than they would have received on the pure short in the futures market.

However, assume again that the price of feeder cattle rose to \$1.60 per pound. Now, they can sell their futures contract at \$1.60 per pound net the options premium, leaving them with \$1.58 per pound in the futures market, however, they were not subject to a margin call. Even though they paid a premium for options, they didn't face the same liquidity issues.

Livestock risk protection

Livestock Risk Protection (LRP) policies were introduced by the Risk Management Agency (RMA) of USDA to provide price risk insurance. LRP policies function similarly to an options contract. If the contract value at expiration is below the locked-in price, the policy holder receives a premium which accounts for the difference. There are differences in contract specifications, and LRP policies are generally cheaper than an options contract due to government subsidization, however, the underlying operational concept is the same. An LRP contract functions as a hedging mechanism.

Coverage prices available through LRP are dependent on the futures market. The LRP feeder cattle policy uses the CME feeder cattle price index as the actual end value. This cash-settled commodity index is a mathematical calculation that averages the headcounts, weights, and prices from numerous livestock sales across the nation to determine its settlement price. The LRP fed cattle policy uses a weekly weighted average of the slaughter cattle prices in five areas, as reported by the AMS.¹¹

Producers select a coverage price, endorsement length, and the specific number of head and expected target weight of the cattle to be sold. The coverage price is a percentage of the expected ending value. These values and the associated rates are based on the current day's closing futures prices, volume, and volatility, and they correspond to different endorsement lengths.¹² At the end of the endorsement period, if the price locked in using the LRP contract is below the coverage level, an indemnity is paid on the loss for that contract. The LRP contract is an entirely paper transaction, though it differs from an options contract in that a policy holder must own livestock to purchase an LRP contract. In theory, gains in the LRP contract should offset losses in physical live cattle sales and vice versa.

Consider the following example. The table below is an image pulled directly from RMA's Livestock Reports page for LRP on January 10, 2020. Assume that a producer looks at these contracts and plans to sell calves in 13 weeks, on April 10, 2020.

¹¹ USDA Risk Management Agency, Livestock Risk Protection Feeder Cattle, available at <https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Livestock-Risk-Protection-Feeder-Cattle>.

¹² USDA Risk Management Agency, Livestock Risk Protection Feeder Cattle, available at <https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Livestock-Risk-Protection-Feeder-Cattle>.

ENDORSEMENT LENGTH	COMMODITY	TYPE	EXP. END VALUE	COVERAGE PRICE	COVERAGE LEVEL	RATE	COST PER CWT	PRODUCER PREMIUM PER CWT	END DATE	ACTUAL END VALUE
13	0801 Feeder Cattle	809 Steers Weight 1	164.12	\$164.07	0.9997	0.0338	5.539	4.43	4/10/2020	125.85
13	0801 Feeder Cattle	809 Steers Weight 1	164.12	\$161.87	0.9863	0.0268	4.344	3.48	4/10/2020	125.85
13	0801 Feeder Cattle	809 Steers Weight 1	164.12	\$159.67	0.9729	0.0211	3.364	2.69	4/10/2020	125.85
21	0801 Feeder Cattle	809 Steers Weight 1	167.907	\$167.58	0.9981	0.0429	7.19	5.75	6/5/2020	141.98
21	0801 Feeder Cattle	809 Steers Weight 1	167.907	\$165.38	0.985	0.0359	5.937	4.75	6/5/2020	141.98
21	0801 Feeder Cattle	809 Steers Weight 1	167.907	\$163.18	0.9718	0.0299	4.872	3.9	6/5/2020	141.98

If they wanted to lock in 99 percent of the expected ending price (\$164.12/hundredweight), they would pay a premium of \$4.43 per hundredweight, with the federal government subsidizing the remaining \$1.12 cost per hundredweight.

The final value of the CME Feeder Cattle Contract at expiration (4/10/2020) was \$125.85/hundredweight. Therefore, the indemnity in this example was \$38.22/hundredweight. The net profit on this LRP transaction was:

Profit per hundredweight=Indemnity-Premium

Profit per hundredweight=(\$164.07-125.85)-\$4.43

Profit per hundredweight=\$33.79

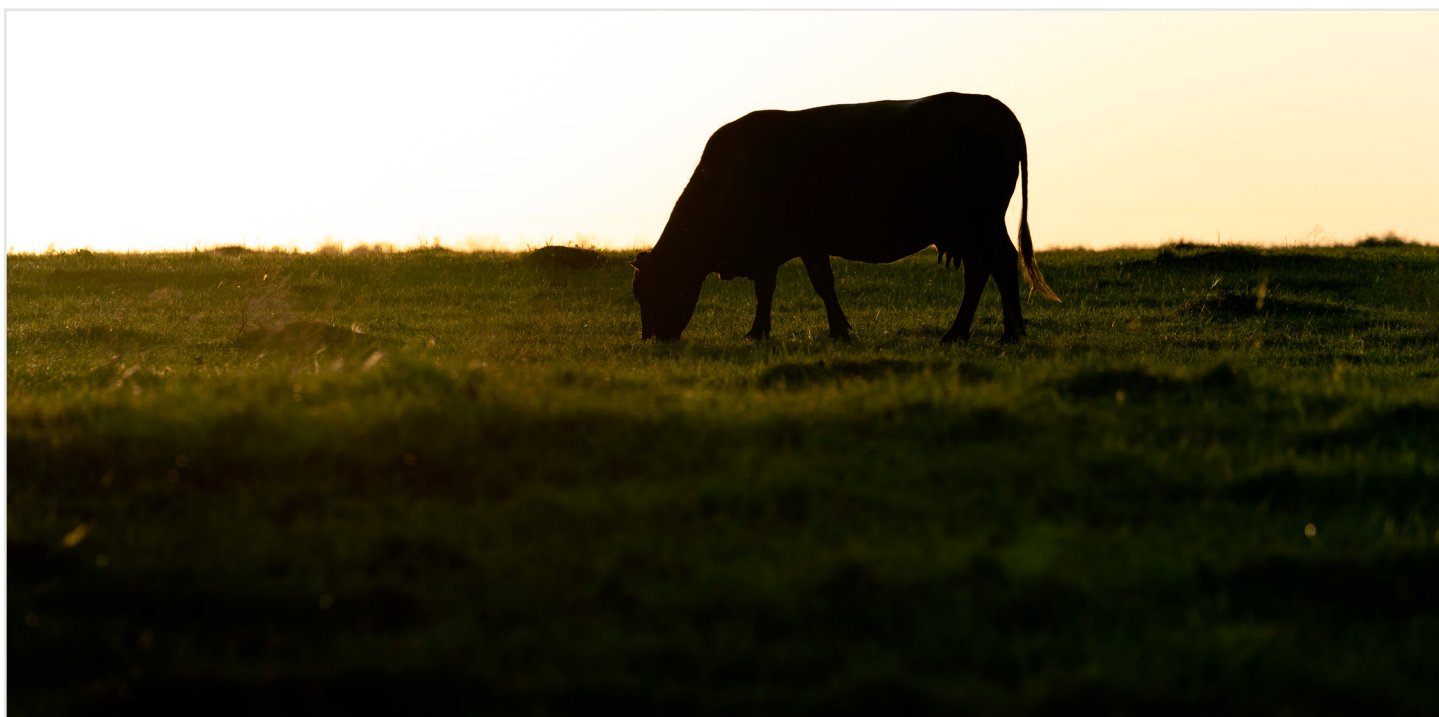
At the same time, the cash value of feeder cattle would decline from an expected \$164.07 per hundredweight to a realized value of \$125.85 per hundredweight, depending on the region, representing a loss of \$38.27 per hundredweight. However, the \$33.79 per hundredweight gain on the LRP contract would create a combined net loss of only \$4.48 per hundredweight.

LRP policies are available through licensed crop insurance providers. For more information on LRP, visit [Texas A&M AgriLife Extension's Resource Library for Ranching](#) or visit [USDA's LRP Resources](#) page.

Pasture, rangeland, and forage

It is rare to have advance warning that insurance will pay off. But, if someone said that tomorrow there was a good chance of having a fender bender, most people would probably go out and increase their automobile coverage. Some might already do this when insuring a teenage driver. While predicting car wrecks aren't simple, there are tools that can give advanced warning of the need for Pasture, Rangeland, and Forage (PRF) insurance.

Otherwise known as rainfall insurance, PRF works by insuring the average amount of rainfall in an area. If actual rainfall is less than the amount insured, the policy holder receives an indemnity. The idea behind the policy is that the policy holder is then able to pay for some or all the supplemental feed/forage required for livestock. PRF policies are based on a grid system rather than being set at the county level. There are a series of intervals to choose from, representing pairs of months. Some producers choose to ensure the intervals most valuable to their forage growth, while others choose to ensure intervals that are most likely to pay.

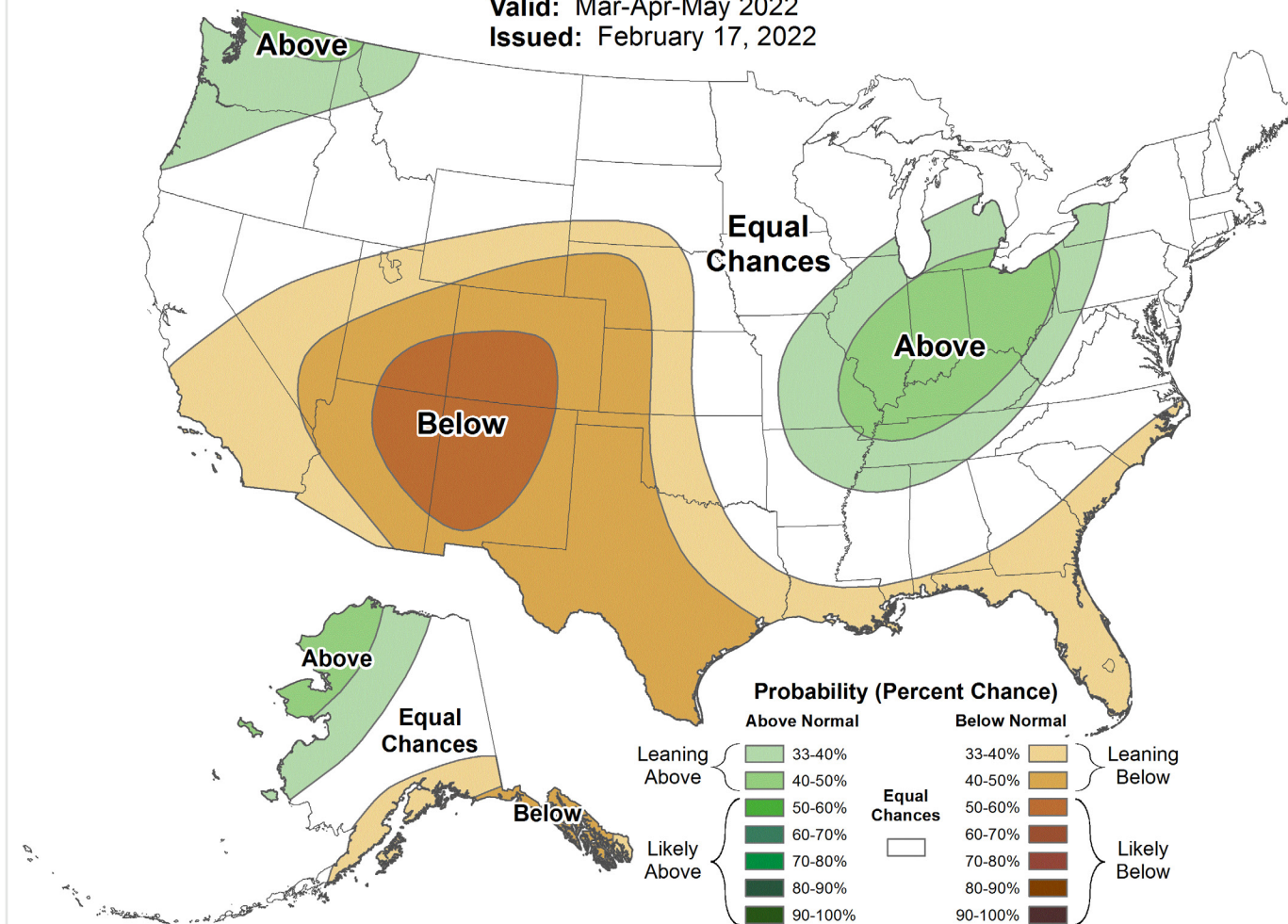




Seasonal Precipitation Outlook



Valid: Mar-Apr-May 2022
Issued: February 17, 2022



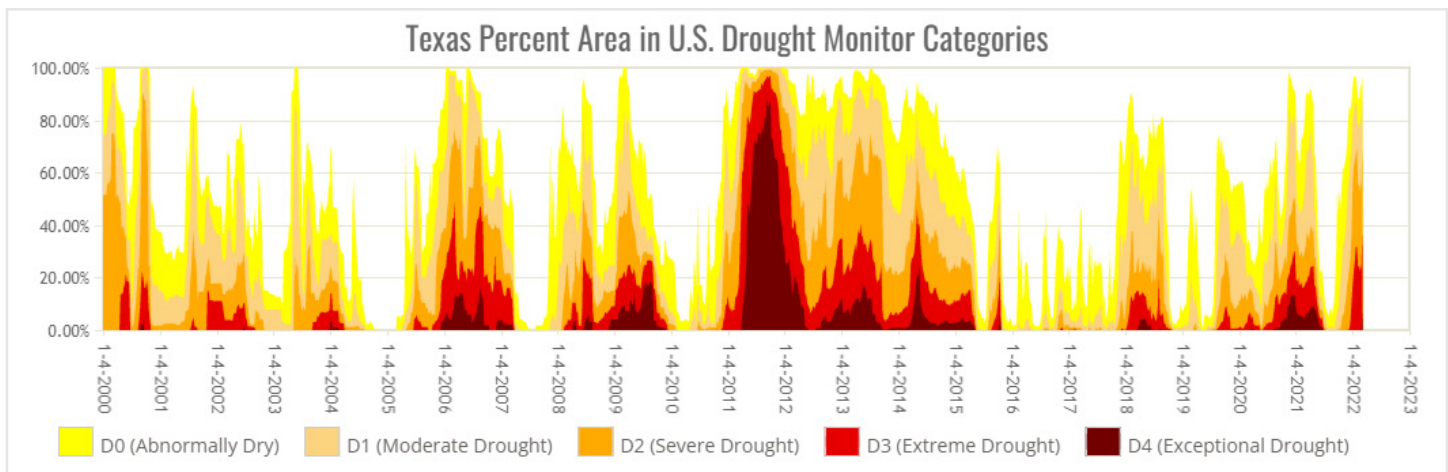
How can someone know in advance whether they will need PRF? There are several tools, but a convenient resource is the National Weather Service's Seasonal Forecast Maps. These maps provide a forecast of expected precipitation deviations from normal (exactly what PRF indemnities happen to be based on). The darker the brown an area appears, the greater the chance that rainfall will be below average. The darker the green an area appears, the greater the chance that rainfall will be above average. White means that there is an equal chance of below or above-average precipitation, i.e., precipitation is expected to be approximately normal.

There are a host of AgriLife publications and resources for selecting the correct coverage through PRF. PRF policies are sold through licensed crop insurance providers. For more PRF details, check out the [USDA PRF](#) website, which includes a policy decision tool to help make PRF decisions.

Livestock forage disaster program

Drought is a huge factor to consider when producing cattle in Texas. The question of droughts in Texas are largely questions of "when" rather than questions of "if." In fact, since at least 2000, it has been more common for some portion of Texas to be in a drought than it is for none of Texas to be in a drought. In an effort to mitigate some portion of drought-induced losses, the federal government created the Livestock Forage Disaster Program (LFP).

The LFP provides payments to eligible livestock owners and contract growers who have covered livestock and are producers of grazed forage crop acreage or certain crops planted specifically for grazing that have suffered a loss of grazed forage due to qualifying drought. A livestock owner or contract grower who also produces forage crops that are owned or leased is eligible for payments from LFP. Payments are based on the duration a given county was designated in different drought statuses.



Eligible animals include those that are or would have been grazing the eligible land during the normal grazing period for a specific type of forage. This is a key provision if a producer is concerned about access to payments due to drought-induced culling. Eligible livestock must have been owned, leased, purchased, or contracted during the 60 days prior to the beginning date of the qualifying drought. Eligible livestock includes those sold or otherwise disposed of due to qualifying drought conditions. Any eligible livestock must be owned for commercial operations and not for recreation or hunting.

Program enrollment for eligible producers is conducted through the Farm Service Administration (FSA). Application for payments and required supporting documents proving inventory are due to the FSA office within 30 calendar days after the end of the calendar year in which the grazing loss occurred (typically the end of January).

Payments are calculated by multiplying the payment rate established by USDA for that year by the number of LFP eligible months for a specific crop in a specific county and multiplying that figure once again by the number of eligible livestock. For more information about the LFP program and for help estimating payments visit the [USDA's LFP website](#).

Livestock indemnity program

The Livestock Indemnity Program (LIP) was designed to provide payments for livestock that are lost or injured under eligible adverse weather events, due to eligible disease, or due to eligible attack. To be eligible for LIP, a producer's livestock must have been legally owned on the day the livestock died and/or were injured by an eligible condition. The livestock must also have:

- ▶ Died in excess of normal mortality due to one of the eligible loss conditions, or
- ▶ Been injured by—and as a direct result, sold at a reduced price—one of the eligible loss conditions

Eligible adverse weather events include, but are not limited to, as determined by the FSA Deputy Administrator of Farm Programs or designee, earthquake; hail; lightning; tornado; tropical storm; typhoon; vog (volcanic fog), if directly related



to a volcanic eruption; winter storm, if the winter storm lasts for three consecutive days and is accompanied by high winds, freezing rain or sleet, heavy snowfall, and extremely cold temperatures; hurricanes; floods; blizzards; wildfires; extreme heat; extreme cold; and straight-line winds. Drought is not an eligible adverse weather event except when associated with anthrax.¹³ An example of an eligible weather event is Winter Storm Uri which struck Texas in February of 2021.

Eligible diseases include but are not limited to anthrax, cyanobacteria (beginning in the 2015 calendar year), and larkspur poisoning (beginning in the 2015 calendar year). In addition, eligible disease means a disease that is caused and/or transmitted by vectors and vaccination or acceptable management practices are not available, whether they were or were not implemented, that directly result in the death of eligible livestock in excess of normal mortality, including but not limited to bluetongue, epizootic hemorrhagic disease (EHD), and Cache Valley virus (CVV).¹⁴

¹³ USDA Farm Service Agency, Disaster Assistance Livestock Indemnity Program, available at https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/fsa_lip_livestockindemnityprogram_factsheet_2022_final.pdf.

¹⁴ USDA Farm Service Agency, Disaster Assistance Livestock Indemnity Program, available at https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/fsa_lip_livestockindemnityprogram_factsheet_2022_final.pdf.

Eligible attack means an attack by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators.

LIP payments are set at 75 percent of the market value of applicable livestock and are established annually. For example, the table below includes beef cattle payment rates for 2021.

	TYPE	WEIGHT RANGE	2021 PAYMENT RATE PER HEAD
Beef	Adult	Bull	\$1,195.31
		Cow	\$919.47
	Non-Adult	Less than 250 pounds	\$163.15
		250 to 399 pounds	\$441.56
		400 to 799 pounds	\$609.53
		800 pounds or more	\$1,015.88

Losing money on risk management strategies

In some years, risk management strategies might lose money. So then why would anyone recommend buying rainfall insurance at all? It's possible to lose money if PRF is purchased in a rainy year or if coverage is allocated to a month that sees a lot of moisture. In fact, each year, it is possible that PRF will net a loss! However, it's important to remember that PRF is a risk management tool, and much like the other tools presented here, none of them are always a home run.

These tools do not always provide positive net returns. They are designed to limit the downside impacts of negative events while leaving the upside wide open. In fact, rough estimates suggest that over time, west of the 100th longitudinal line—around Abilene—for every dollar invested in PRF, the program returns \$2 to \$3, depending on the grid. Think of risk management tools like PRF this way: the best thing that can happen is an outcome in which a small PRF premium is paid because all the rain needed to make it through the year profitably fell, and there is plenty of grass to feed this year and even some left over to bale for next year.



CHAPTER 16: THOUGHTS FROM THE TRENCHES

There is likely nothing more useful to someone looking to start a business than to learn from people who have already successfully done so. Considering that, this chapter will focus on the information we received during interviews with people engaged in various capacities in the direct beef sales arena.

Determining a business model

As the book sets forth, one of the first questions that a new beef sales business needs to answer is if they intend to sell a percentage of an animal or beef, cuts, or both. We talked to businesses doing each of these options, and all have pros and cons. Those businesses selling only a percentage of an animal or beef often said they made that decision based on the amount of time and labor they had available to put into the business. Others reported not having easy access to an inspected plant, so using a custom-exempt option made the most sense for them. The businesses that elected to sell cuts said that offering much smaller quantities of meat greatly increased their potential customer base. One business owner offering both percentages and cuts said that 90 percent of his customer inquiries are about cuts.

Licensing requirements

As noted in Chapter 6, it can be difficult to determine the type of license a business needs to obtain from DSHS. Actually, this was the most difficult information to obtain in writing this handbook. However, two of the Texas beef business owners we talked to told us that once they submitted their application for a license, DSHS called them directly to ask questions about their operation to ensure they were obtaining the correct license. In light of the difficulty distinguishing between the licenses, it seems prudent to contact DSHS and seek this type of guidance.

Time commitment

One statement that every person we talked to made, particularly about selling cuts, is that it is hard to overestimate the time commitment it will take. Many businesses that are currently selling beef only by percentage through the custom-exempt processing option stated that the reason they do not elect to sell cuts is that they simply do not have the manpower to do so. Several interviewees believe a person needs to treat a business selling cuts as a full-time job in order to be successful.

Inventory management

Again, without fail, every person we interviewed said that the most difficult aspect of a business selling cuts is learning how to properly manage the inventory. As discussed above in Chapter 2, the businesses we talked to all had different strategies for doing so, but all reported this was the most challenging piece of their business. One packer we spoke with indicated that he believes that getting out in front of this and having an inventory plan before having an inventory problem is the key to succeeding in a beef business selling cuts.

Selecting a packer

Not surprisingly, many of the beef businesses discussed the importance of selecting a packer. Many reported having tried several before landing on one that they consistently use. Listed below are a few questions and considerations current business owners used in making their packer selection.

- ▶ Go visit the plant. There is nothing that can replace physically visiting a plant. This will allow the producer to do several things, including evaluating the cleanliness of the plant and getting a feel for what the employees will be like to interact with. While there, ask about any plant-specific rules or policies. For example, some plants may have a minimum live animal weight they are willing to process. Another tip is to ask to see the packaging material, both prior to use as well as asking to see some packaged products. This will allow a producer to analyze the quality of the material and packaging.
- ▶ Discuss getting on the schedule. This is likely obvious to anyone who has tried to get a kill date in the past couple of years. A critical question to ask any packer is what their schedule looks like, how many dates they can guarantee you, how much notice they need, etc. Another important question is how long they are able to age beef and how long they are able to store the processed beef for you. Some plants may charge extra if beef is not picked up in a particular time frame.
- ▶ Understand prices. It is important to compare apples to apples when looking at prices from various plants. Some plants charge based on carcass weight, while others charge based on live weight. There may also be additional fees added on for things like stickering the packaged cuts, special cut requests, or aging for more than the plant's standard timeframe.
- ▶ Determine the skill level of the butchers. One packing plant operator said that a key issue to consider is the quality of the butcher at the plant selected. A good butcher can get additional cuts that someone else may be unwilling or unable to. Ask in detail about the plant's standard approach and what special considerations they are willing to make when cutting the beef. Ask to watch a carcass be cut to see the process at that plant.
- ▶ Consider using only approved packers. One producer we spoke to who sells live animals for custom processing offered the advice to only use a processor the seller has selected and approved. Because the producer we interviewed was selling the live animal, he had a few customers call and say to just deliver the calf to their local processor. The cattle owner did so, but when it turned out the packer did a poor job and there were issues with the amount of beef received and the quality of the packaging, that reflected back poorly on the cattle operation, even though the issue was with the processor the customer selected. Now, this rancher only allows animals to be sold if the purchaser is willing to use a specific packer selected by the rancher.

Marketing generally

Everyone we talked to said they primarily market their product through social media and word of mouth. One producer offered a reminder to gear social media content to one's particular audience. As one interviewee put it, "On social media, I am really not talking to other ranchers, I'm talking to the soccer mom in the city who has never been around cattle." Several producers said it is their ability to share their life and their family on social media that really helps differentiate their product.

Another good point that the two producers brought up was the importance of an email list. One of the producers explained that it is scary to rely on social media for all marketing and contacts. Keep in mind, a person does not own those platforms, and the platforms could disappear tomorrow. Having one's own email list of contacts allows control and always ensures access to is critical for a long-term marketing strategy.

Another potential marketing opportunity is local farmers' markets. A couple of producers attend these markets and say that while they may not "pay for themselves" that day, oftentimes, that is where they meet people who end up being good customers and leading to large orders in the future.

Educating the customer

When a person starts a beef business, he or she probably does not think of education as a key component of its success. According to the people we interviewed, it absolutely is.

Knowing one's customer base is critical because that informs how much and what type of education may be necessary. If a business is selling primarily to rural customers involved in the agricultural industry, there is probably less education needed. However, if customers are first-time buyers of a product, like a quarter of beef, for example, there may be a number of important items to mention.

One producer noted, "We are great at raising cattle, but we had no idea how much time 'off-the-ranch interactions' with consumers would take." Be prepared to answer customers' questions. One producer highly recommended the Masters of Beef Advocacy program offered by the Cattlemen's Beef Board and National Cattlemen's Beef Association. This program, she said, helps walk through many questions producers will get from customers and makes producers a more effective advocate for both their operation and the industry.

Here are a few education points to consider:

- ▶ Production practices. Do not assume everyone understands production practices or even the other types of practices they hear on the news. A consumer may think they want "grass-fed beef," but upon hearing a grass-fed, grain-finished business explain their procedures, they might be more than willing to purchase that product. Similarly, many consumers want "antibiotic-

free" products. What they may not realize, however, is that all beef is antibiotic-free, and that label does not refer to antibiotics in the meat itself.

- ▶ Product quality. It is extremely important for companies to educate consumers on the quality of their products. Why are these steaks or this ground beef better than what they can purchase in a grocery store? Producers should have an "elevator pitch" ready to answer this question. Also, do not overlook the quality of all cuts of beef. For example, one processor mentioned he thinks that many beef sale businesses fail to mention that all of their ground beef comes from the same high-quality animal. This is likely not true for beef purchased through other channels and should provide a better product.
- ▶ Live weight, hot carcass weight, and processed beef differences. Another important point to discuss with a consumer is how much beef to expect from a given animal. For example, many consumers hear that they will be getting beef from a 1,300-pound steer but are then shocked when they learn the amount of packaged beef will likely be in the ballpark of 500 pounds. Help manage expectations by explaining the reason behind this ahead of time. People also likely do not realize that depending on how the beef is cut and how long it is aged will also affect the total amount of packaged beef.
- ▶ Cutting and storage information. Many producers may not have any experience in purchasing large quantities of beef before. For example, during the pandemic, a customer called one packer to provide instructions for cutting the half beef he purchased, seeking "just make it all ribeyes." Helping a consumer walk through a cut sheet and have an idea of what cuts they will likely be able to receive is important. Similarly, especially for producers selling a percentage of beef, ensuring that consumers understand the freezer space necessary to store their purchase is also important. A good rule of thumb is 1 cubic foot of freezer space for every 35 to 40 pounds of packaged beef. This means, generally speaking, that half a beef will require about 8 cubic feet of freezer space.
- ▶ Cooking tips. One producer we interviewed put it bluntly: "A lot of people just do not know how to cook anymore." A person who does not cook a particular cut of meat properly may have a bad experience, which will then reflect poorly on the beef business from which the meat was purchased. Offer tips for cooking beef generally and how to use or cook specific cuts. This can not only help ensure customers have a good experience, but it can also be an additional value the business offers that other beef likely does not. Another producer offered the tip that instead of selling a cut of beef, sell the concept of the meal. Instead of saying, "Do you want to buy this chuck roast?" try saying, "I made this roast last week that my whole family loved, and we had so much leftover that the next night we shredded the meat and had tacos."



Storing and handling beef

One of the packers we interviewed said that his rule of thumb is the less the seller handles the beef, the better. Get it home, put it in the freezer, and do not touch it until it goes to the buyer. He said this is the best way to ensure quality and not lose the vacuum seal (if so packaged.) Another beef business that does a good amount of local business offered good tips about finding coolers to use in beef delivery. They found several coolers to purchase cheaply at thrift stores. They also talked to their local pharmacy, which has a constant supply of disposable coolers that they usually throw away, which they were glad to give to the beef business.

Shipping considerations

Several businesses indicated they had a lot of issues (and learned a lot of lessons) related to shipping with dry ice or gel packs. One shipper said a key issue she learned the hard way was to ensure consistent access to dry ice or gel packs. Their operation had issues getting dry ice, which caused

them significant issues with getting products shipped on time. Another shipper noted the difficulty of shipping from a rural location to customers across the country. They suggested carefully considering the days of the week to conduct shipping, suggesting Mondays and Tuesdays, rather than Fridays, to try and avoid beef sitting in a warehouse over the weekend. Another indicated that it took a while to figure out how much dry ice and cold packs are needed depending on the time of the year products are shipping and where the recipient resides. They noted the industry standard is 5 pounds of dry ice per day.

Have an emergency plan

For any business that will be storing large quantities of beef, having an emergency plan in place in case of a power outage is critical. If the power goes out or a freezer quits, a business needs to already have a plan in place and know exactly who they will call and what will be done. One business we talked to always has a generator on reserve just in case it is necessary.



CHAPTER 17: CONCLUSION

As this handbook indicates, there are a number of legal and economic considerations that must be undertaken to conduct a direct beef sales business. For any new enterprise, there is a steep learning curve. Winding one's way through the myriad combinations of sales methods, sales venues, licensing requirements, special labels, and production processes will take time and effort. The same system will not provide the same outcome for everyone or even for the same person each year, but if a person develops a plan, ensures legal compliance, manages risk, and executes the plan, there are profits available in the market for direct-to-consumer beef sales.

APPENDIX 1: ADDITIONAL RESOURCES

Books

- Kay, Ronald D., William M. Edwards, Patricia A. Duffy. 2008. *Farm Management*. McGraw Hill.
- Rhodes, James V., Jan L. Dauve, Joseph L. Parcell. 2007. *The Agricultural Marketing System*. Holcomb Hathaway.
- Aberle, Elton D., John C. Forrest, David E. Gerrard, Edward W. Mills. 2012. *Principles of Meat Science*.
- Holder, Jan. 1953. *How to Direct Market Your Beef*. Sustainable Agriculture Network.

Tools and budgets

- Business Planning Basics for Farm and Food Enterprises*. Rebekka Dudensing. Helps producers write a business plan, examples included. This course will introduce students to business planning basics for farm and food enterprises in order to help develop a business plan. <https://agrilifelearn.tamu.edu/s/product/business-planning-basics-for-farm-and-food-enterprises/01t4x000002ciNyAAI>
- Business Planning and Analysis for Farm and Food Enterprises*. Rebekka Dudensing. Helps producers learn to create a business vision and plan that will help achieve goals. The goal of this course is to help evaluate the feasibility of a business and improve chances of success. <https://agrilifelearn.tamu.edu/s/product/business-planning-and-analysis-for-farm-and-food-enterprises/01t4x000002ciNaAAI>
- QuickBooks Desktop Training for Farmers and Ranchers*. DeDe Jones. Help producers improve financial record-keeping and analysis capabilities. <https://agrilifelearn.tamu.edu/s/product/quickbooks-desktop-training-for-farmers-and-ranchers/01t4x000002ciNzAAI>
- Feedlot Enterprise Budget Tool*. Melissa G.S. McKendree. Helps users evaluate and plan for feedlot custom operations. <https://www.canr.msu.edu/resources/feedlot-enterprise-budget-tool>
- Grass-Finished Freezer Beef Pricing Worksheet*. Michigan State University. Helps users evaluate and plan for custom harvesting costs and price setting for grass-finished cattle. <https://www.canr.msu.edu/resources/grass-finished-freezer-beef-pricing-worksheet-1>
- Grain-Fed Freezer Beef Pricing Worksheet*. Michigan State University. Helps users evaluate and plan for custom harvesting costs and price setting for grain-fed cattle. <https://www.canr.msu.edu/resources/grain-fed-freezer-beef-pricing-worksheet-1>
- Wholesale Price Update*. Cattleman's Beef Board and National Cattlemen's Beef Association. Provides weekly wholesale and certain retail prices. <https://www.beefitswhatsfordinner.com/resources/wholesale-price-update>

Websites

- United States Department of Agriculture Agricultural Marketing Service Weekly and Monthly Beef Reports: <https://www.ams.usda.gov/market-news/weekly-and-monthly-beef-reports>
- United States Department of Agriculture Agricultural Marketing Service Feeder and Replacement Cattle Auctions: <https://www.ams.usda.gov/market-news/feeder-and-replacement-cattle-auctions>
- United States Department of Agriculture Agricultural Marketing Service Organic Reports: <https://www.ams.usda.gov/market-news/organic>
- United States Department of Agriculture Agricultural Marketing Service National Weekly Retail Activity Reports: <https://www.ams.usda.gov/market-news/retail>
- United States Department of Agriculture Agricultural Marketing Service Slaughter Cattle Summary: <https://www.ams.usda.gov/market-news/slaughter-cattle-summary>
- Department of Agricultural Economics, Beef Cattle Decision Aids, Texas A&M AgriLife Extension: <https://agecoext.tamu.edu/resources/decisionaids/beef/>
- Department of Agricultural Economics, Texas Crop and Livestock Budgets by Extension District, Texas A&M AgriLife Extension: <https://agecoext.tamu.edu/resources/crop-livestock-budgets/budgets-by-extension-district/>
- Department of Animal Science, Beef Cattle Website, Texas A&M: <https://beef.tamu.edu>
- Beef Economics and Marketing, Michigan State University Extension: <https://www.canr.msu.edu/tag/beef-economics-and-marketing>
- Claims Guidance (USDA): <https://www.fsis.usda.gov/inspection/compliance-guidance/labeling/claims-guidance>
- FSIS Compliance Guideline for Label Approval (USDA): <https://www.fsis.usda.gov/guidelines/2017-0011>
- ## Extension/research publications
- Producer's Guide to Pasture-Based Beef Finishing*. Greg Halich, Jeff Lehmkuhler, Gregg Rentfrow, Fred Martz, Ray Smith, and Lee Meyer. 2015: <http://www2.ca.uky.edu/agcomm/pubs/ID/ID224/ID224.pdf>
- A Direct-to-the-Consumer Beef Marketing Handbook*. Annette Dunlap, Geoffrey Benson, Matt Poore. 2017: https://www.meatprojects.com/docs/US/us_G_NCSU-BeefHandbook-0510.pdf
- Texas Direct Farm Business Guide*. Michaela Tarr, Charles Cunningham, Rusty W. Rumley. 2013: <https://nationalaglawcenter.org/wp-content/uploads/assets/articles/TX-DFB.pdf>
- The Guide to Identifying Meat Cuts*. National Cattlemen's Beef Association. 2009: <https://agrilife.org/4hmeat/files/2018/01/Guide-To-ID-Meat-Cuts.pdf>

- Beef Cuts: Primal & Subprimal Weights and Yields.* National Cattlemen's Beef Association. 2010: <https://animalrangeextension.montana.edu/beef/documents/CarcassBreakdown.pdf>
- Beef Cuts and Recommended Cooking Methods.* National Cattlemen's Beef Association. 2021: <https://p.widencdn.net/lrpdav/Beef-Retail-Cuts-Chart-2018>
- Balance Sheet – A Financial Management Tool.* Danny Klinefelter. 2017: <https://agrilifelearn.tamu.edu/s/product/balance-sheet-a-financial-management-tool/01t4x000004OUTgAAO>
- Cash Flow Projection for Operating Loan Determination.* Danny Klinefelter and Dean McCorkle. 2017: <https://agrilifelearn.tamu.edu/s/product/cash-flow-projection-for-operating-loan-determination/01t4x000004OUTiAAO>
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APPENDIX 2: ECONOMIC WORKSHEETS

APPENDIX 2.1. ESTIMATED COSTS AND RETURNS PER ANIMAL UNIT COW-CALF BUDGET — TEMPLATE PANHANDLE EXTENSION DISTRICT - 1

Animal Units
Breeding Females

REVENUE	Head	Quantity Per Head	Units	\$/Unit	Total	Enterprise Total
Steer			CWT			
Heifer			CWT			
Cull Cow			CWT			
Cull Bull			CWT			
Total Revenue						

VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Miscellaneous					
Miscellaneous - Cow		AU			
Marketing Expense		AU			
Feed					
Supplement		Pound			
Hay Pound		Pound			
Mineral		Pound			
Vet. Medicine					
Vet. Medicine - Cow		AU			
Fuel		AU			
Lube (As a % of fuel)		Percent			
Repairs		AU			
Labor		Hours			
Interest on Credit Line		%			
Total Variable Costs					

Planned Returns Above Variable Costs:

Average Calf Breakeven Price to Cover Variable Costs CWT

FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Depreciation - Equipment		AU			
Depreciation - Livestock		AU			
Equipment Investment		Dollars			
Pasture Cost		Acres			
Total Fixed Costs					
Total Costs					

Planned Returns to Management, Risk, and Profit:

Average Calf Breakeven Price to Cover Total Costs CWT

**APPENDIX 2.2. ESTIMATED COSTS AND RETURNS PER ANIMAL
WINTER STOCKER BUDGET — TEMPLATE
PANHANDLE EXTENSION DISTRICT - 1**

Head						
REVENUE	Head	Quantity Per Head	Units	\$/Unit	Total	Enterprise Total
Stocker			CWT			
Total Revenue						
VARIABLE COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs						
Stocker Purchase			CWT			
Stocker Delivery			Head			
Grazing						
Gain Contract			Pounds			
Health						
Health and Vet - Stocker			Head			
Feed						
Mineral			Pound			
Hay			Ton			
Miscellaneous						
Preconditioning			Head			
Miscellaneous - Stocker			Head			
Labor			Head			
Interest on Credit Line						
Total Variable Costs						
Planned Returns Above Variable Costs:						
Average Calf Breakeven			CWT			
Price to Cover Variable Costs						
FIXED COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
Total Fixed Costs						
Total Costs						
Planned Returns to Management, Risk, and Profit:						
Average Calf Breakeven			CWT			
Price to Cover Total Costs						

**APPENDIX 2.3. ESTIMATED COSTS AND RETURNS PER ANIMAL
CUSTOM CATTLE FEEDING BUDGET — TEMPLATE**

Number of Head

REVENUE	Head	Pay Weight or Amount	Units	\$/Unit	Total	Enterprise Total
Fed Cattle Sales						
Total Revenue						

VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Feeder Purchase		CWT			
Fed Cattle Delivery		Head			
Health					
Health and Vet - Feeder/Fed		Head			
Cost of Gain					
Feed Cost of Gain		CWT			
Yardage Fees		Head			
Miscellaneous					
Miscellaneous - Feeder/Fed		Head			
Interest on Credit Line					
Total Variable Costs					

Planned Returns Above Variable Costs:

Average Calf Breakeven Price to Cover Variable Costs

\$151.71

CWT

FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Total Fixed Costs					
Total Costs					
Planned Returns to Management, Risk, and Profit:					
Average Calf Breakeven Price to Cover Total Costs					

CWT

**APPENDIX 2.4. ESTIMATED COSTS AND RETURNS PER ANIMAL
CUSTOM CATTLE PROCESSING BUDGET — TEMPLATE**

Number of Head

REVENUE	Head	Pay Weight or Amount	Units	\$/Unit	Total	Enterprise Total
Beef Sales			Pounds			
Total Revenue						

VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Fed Calf Purchase		CWT			
Slaughter cost		LB Hot			
Cutting, wrapping, freezing cost		LB Hot			
Further Processing		Head			
Packaging/Labeling		Lb Hot			
Customer Acquisition (Advertising, etc.)		Lb Sold			
Product Storage (Electricity, Rented Space, etc.)		Lb Sold			
Product Shipping		Lb Sold			
Interest on Credit Line					
Total Variable Costs					

Planned Returns Above Variable Costs:

Average Beef Breakeven
Price to Cover Variable Costs

	\$149.39	\$149.39
\$5.24	Pound Sold	

FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Other Fixed Costs		Lb Sold			
Other Fixed Costs		Lb Sold			
Other Fixed Costs		Lb Sold			
Total Fixed Costs		Lb Sold			
Total Costs					
Planned Returns to Management, Risk, and Profit:					
Average Beef Breakeven Price to Cover Total Costs					

APPENDIX 2.5. WEIGHTED AVERAGE WHOLESALE PRICE CALCULATION			
LIVE WEIGHT	APPROXIMATE DRESSING %	POUNDS HOT CARCASS WEIGHT = LIVE WEIGHT * DRESSING %	
	0.625		
	PERCENT OF HOT CARCASS WEIGHT	PRICE CHARGED (\$/POUND)	TOTAL VALUE = HOT CARCASS WEIGHT * PERCENT OF HOT CARCASS WEIGHT * PRICE
Chuck	0.29		
Rib	0.9		
Loin	0.16		
Round	0.22		
Short Plate	0.4		
Brisket	0.8		
Flank	0.5		
Misc. (Grind, Heart, Kidney, Liver, Fat)	0.7		
TOTAL WHOLESALE CARCASS VALUE = SUM OF TOTAL VALUES BY PRIMAL			
WEIGHTED AVERAGE WHOLESALE PRICE PER POUND = TOTAL WHOLESALE CARCASS VALUE/HOT CARCASS WEIGHT (POUNDS)			

APPENDIX 2.6. WEIGHTED AVERAGE RETAIL PRICE CALCUALTION				
	RETAIL CUT NAME	WEIGHT OF RETAIL CUT (POUNDS/ CARCASS)	PRICE CHARGED (\$/POUND)	TOTAL VALUE = WEIGHT OF RETAIL CUT*PRICE CHARGED
	Retail Cut 1			
	Retail Cut 2			
	Retail Cut 3			
	Retail Cut 4			
	Retail Cut 5			
	Retail Cut 6			
	Retail Cut 7			
	Retail Cut 8			
	Retail Cut 9			
	Retail Cut 10			
	Retail Cut 11			
	Retail Cut 12			
	Retail Cut 13			
	Retail Cut 14			
	Retail Cut 15			
	Retail Cut 16			
	Retail Cut 17			
	Retail Cut 18			
	Retail Cut 19			
	Retail Cut 20			
	Retail Cut 21			
	Retail Cut 22			
	Retail Cut 23			
	Retail Cut 24			
	Retail Cut 25			
TOTAL RETAIL CARCASS VALUE = SUM OF TOTAL VALUES BY RETAIL CUT				
WEIGHTED AVERAGE RETAIL PRICE PER POUND = TOTAL RETAIL CARCASS VALUE/CHILLED CARCASS WEIGHT (POUNDS)				

APPENDIX 3: DSHS LIST OF TALMADGE-AIKEN FACILITIES IN TEXAS

EST#	Meat / Poultry	Grant Type	EST. NAME	Street Address	City	State	Zip Code	COUNTY	PHONE
TX-0001	Meat	Slaughter and Processing	Meat Science & Technology Cent	Meat Science & Tech Center	College Station	TX	77843	Brazos	(979) 845-5651
TX-0038	Meat & Poultry	Slaughter & Processing	Dutchman's Market	1609 E. Main St	Fredericksburg	TX	78624	Gillespie	(830)997-5693
TX-0040	Meat	Slaughter Only	Granzin's Meat Market	1644 McQueeney Rd	New Braunfels	TX	78130	Comal	(830)625-3510
TX-0042	Meat & Poultry	Slaughter & Processing	Uvalde Meat Processing	508 South Wood St.	Uvalde	TX	78801	Uvalde	830-278-6247
TX-0051	Meat	Processing Only	Renfro Packing	1206 S. Medford Dr.	Lufkin	TX	75901	Angelina	936-632-2588
TX-0055	Meat & Poultry	Processing Only	North Creek Smoke House, LLC	12377 St. Hedwig Rd.	St. Hedwig	TX	78152	Bexar	210-355-9050
TX-0062	Meat	Processing Only	Beno's Quality Meats	501-505 N. 17th St	McAllen	TX	78502	Hidalgo	956-682-3141
TX-0073	Meat	Processing Only	Diamond H Foods LTD	1598 Highland Dr.	Bandera	TX	78003	Bandera	830-796-4540
TX-0079	Meat	Processing Only	Kountry Bakery	802 East 4th Street	Hallettsville	TX	77964	Lavaca	(361) 798-4423
TX-0098	Meat	Slaughter and Processing	Cabritos Garza	4519 Theiss Road	Humble	TX	77338	Harris	(281) 443-8185
TX-0101	Meat	Processing Only	La Tapatia Inc.	8941 Old County Rd.	El Paso	TX	79907	El Paso	915-859-9616
TX-0116	Meat	Slaughter and Processing	Kaufman Locker Plant	113 South Jefferson	Kaufman	TX	75142	Kaufman	972-932-2717 972-932-2550
TX-0120	Meat	Processing Only	Terry's Beef Jerky	191 CR 33080	Sumner	TX	75486	Lamar	903-784-6779
TX-0124	Meat	Processing Only	Oval Mexican Products	2702 S. Zarzamora	San Antonio	TX	78225	Bexar	210-317-1622
TX-0131	Meat	Slaughter and Processing	H. W. Doyle Processing	1751 S. Main	Giddings	TX	78942	Lee	(979) 542-3555
TX-0138	Meat	Slaughter/Processing	Fisher Ham & Meat Co.	5023 Spring Cypress Road	Spring	TX	77379	Harris	281-376-1645
TX-0151	Meat	Processing Only	Hughes Springs Frozen Food Center	105 Foster St.	Hughes Springs	TX	75656	Cass	903-639-2941
TX-0176	Meat & Poultry	Processing Only	Carl Miles Food Service, Inc.	2102 East 9th Street	Odessa	TX	79761	Ector	432-337-6067
TX-0243	Meat	Slaughter and Processing	Janak's Packing Co., Inc.	3116 US Highway 90A West	Hallettsville	TX	77964	Lavaca	(361) 798-2985
TX-0249	Meat / Poultry	Slaughter and Processing	Glen's Packing Company, Inc.	200 East 1st Street	Hallettsville	TX	77964	Lavaca	(361) 798-2601
TX-0275	Meat	Slaughter and Processing	Mercy Slaughter	2755 Porter	Katy	TX	77493	Harris	(281) 391-0021
TX-0277	Meat	Processing Only	Neal Boxed Beef	9055 Spur 591	Amarillo	TX	79107	Potter	806-383-1175 ext 5415
TX-0278	Meat	Slaughter Only	Penshorn's Meat Market, LLC	113 West San Antonio Street	Marion	TX	78124	Guadalupe	830-420-2327
TX-0284	Meat & Poultry	Processing Only	Harrington Packing Company	344 Best Road	Winnie	TX	77665	Chambers	(409) 296-9794
TX-0294	Meat	Slaughter and Processing	Bayco Meat Processing	205 East McLain Street	Seymour	TX	76380	Baylor	940-889-2424
TX-0319	Meat & Poultry	Processing Only	Teveni's Wholesale Meat Dist.	4602 South Presa St.	San Antonio	TX	78223	Bexar	210-223-5326
TX-0321	Meat & Poultry	Processing Only	Martinez Food Co.	111 North Main Street	Elgin	TX	78621	Bastrop	512-285-3282
TX-0332	Meat	Processing Only	La Unica Dried Beef	715 N. Alton Blvd.	Alton	TX	78573	Hidalgo	956-342-7637
TX-0337	Meat / Poultry	Processing Only	Rudolph's Market & Sausage Factory	2924 Elm Street	Dallas	TX	75226	Dallas	214-741-1874
TX-0344	Meat	Processing Only	Oma's Choice Inc.	2122 Farm Market 109	Columbus	TX	78964	Colorado	(979)733-0679
TX-0346	Meat	Processing Only	Johnny G's Butcher Block	11600 Manchaca Road #H	Austin	TX	78748	Travis	512-281-6514
TX-0352	Meat & Poultry	Slaughter and Processing	Jackson Brothers Food Locker	121 South Avenue H	Post	TX	79356	Garza	806-495-3245
TX-0367	Meat	Processing Only	Dan's Smoke House	2521 Harwell Lake Road	Weatherford	TX	76088	Parker	817-599-0006
TX-0369	Meat	Slaughter and Processing	Westphalia Market, Inc.	734 State Highway 320	Lott	TX	76656	Falls	254-584-4060
TX-0373	Meat	Processing Only	City Market, Inc.	109 Kessler	Schulenberg	TX	78956	Fayette	(979) 743-3440
TX-0380	Meat / Poultry	Processing Only	Vinh-Huong Food Products, Inc.	4436 W. Walnut Street	Garland	TX	75042	Dallas	972-272-7936
TX-0382	Meat	Slaughter and Processing	Hibler Family Slaughter & Processing	103 E. Wallace	San Saba	TX	76877	San Saba	325-372-5195
TX-0384	Meat	Slaughter and Processing	Mills County Meat Company Inc.	1119 Parker	Goldthwaite	TX	76844	Mills	325-648-3111
TX-0391	Meat	Processing Only	Jalisco Supermarket	1101 Port Ave.	Corpus Christi	TX	78405	Nueces	361-887-8983

TX-0392	Meat	Processing Only	Krolczyk Meats Inc.	45706 Hwy 290	Hempstead	TX	77445	Waller	(409) 826-3601
TX-0395	Meat	Processing Only	Hinojosa Bros.	161 N. Efren Ramirez Street	Roma	TX	78584	Starr	956-849-2386
TX-0399	Meat	Processing Only	EJ Meat Company	1531 LCR 353	Shiner	TX	77984	Lavaca	(361) 594-3158
TX-0400	Meat	Slaughter and Processing	Jacks Wholesale Meats	719 S Pearl St.	Trenton	TX	75490	Fannin	903-989-2293
TX-0408	Meat	Processing Only	Pollok's Market	207 N. Front St.	Falls City	TX	78113	Karnes	830-776-4195
TX-0414	Meat / Poultry	Processing Only	Crystal Creek Cattle Co., Inc.	2459 Southwell Road, Suite A	Dallas	TX	75229	Dallas	972-241-1180
TX-0421	Meat	Processing Only	O'Brien Meat	1311 West 2nd	Taylor	TX	76574	Williamson	512-352-6433 512-365-5155
TX-0436	Meat	Processing Only	Bayer's Kolonialwaren	824 E Division St	Muenster	TX	76252	Cooke	940-759-2822
TX-0440	Meat	Processing Only	First Choice Quality Meats Inc.	623 New Laredo Hwy	San Antonio	TX	78211	Bexar	210-922-8383
TX-0450	Meat / Poultry	Processing Only	Dallas Dressed Beef LLC	1348 Conant St	Dallas	TX	75207	Dallas	214-638-0142
TX-0470	Meat	Slaughter & Processing	Wiatrek's Processing	200 W. Menchaca Rd.	Poth	TX	78147	Wilson	(830)484-2888
TX-0471	Meat & Poultry	Processing Only	Wiatrek's Meat Market	912 N. Storts	Poth	TX	78147	Wilson	(830)484-2838
TX-0478	Meat	Processing Only	J.L.Rojas Investments LLC	23205 North Val Verde Road	Edinburg	TX	78541	Hidalgo	956-380-0687
TX-0495	Meat	Slaughter and Processing	Smithville Food Lockers	305 Royston St.	Smithville	TX	78957	Bastrop	(512) 237-2438
TX-0503	Meat	Slaughter and Processing	Klassen Custom Butchering, LLC	132 CR 320, Seminole	Seminole	TX	79360	Gaines	432-955-0767
TX-0504	Meat / Poultry	Processing Only	Vinh Binh Food Products	5310 E Belknap St #C	Haltom City	TX	76117	Tarrant	817-222-1219
TX-0524	Meat	Slaughter and Processing	Tx. Dept. Criminal Justice (TDCJ)	2664 FM 2054 West	Tennessee Colony	TX	75886	Anderson	903-928-2311 ext 1402
TX-0546	Meat	Slaughter and Processing	Hamilton Wholesale Meats	1410 Clear Lake Rd	Weatherford	TX	76086	Parker	817-596-8474
TX-0558	Meat & Poultry	Processing Only	Hillcrest Tortillas Inc.	1104 S. Smith	Hebbronville	TX	78361	Jim Hogg	361-527-4505
TX-0563	Meat	Processing Only	Super Gallo Mercado, LP	1009 So Jackson Suite 200	Jacksonville	TX	75766	Cherokee	903-589-7654; 903-721-2071
TX-0564	Meat	Slaughter and Processing	Old Plantation Meat	2127 E Hwy 199	Springtown	TX	76082	Parker	817-677-2768
TX-0588	Meat	Processing Only	The Lights Jerky Company	405 North Cherry	Alpine	TX	79830	Brewster	432-294-0732
TX-0616	Meat	Processing Only	Ohl Style Beef Jerky LLC	3109 School St	Needville	TX	77461	Fort Bend	(979)793-5440
TX-0621	Meat	Processing Only	Jackson Slaughter and Processing	4461 Hwy 96 N	Silsbee	TX	77615	Hardin	(409) 385-4573
TX-0643	Meat & Poultry	Processing Only	Waco Custom Meats, Inc.	325 Lake Air Drive	Waco	TX	76710	McLennan	254-772-2377
TX-0644	Meat & Poultry	Processing Only	Waco Beef & Pork Processors, LLC	523 Precision Drive	Waco	TX	76710	McLennan	254-772-4669
TX-0652	Meat & Poultry	Processing Only	Delicious Tamales	1330 Culebra Rd.	San Antonio	TX	78201	Bexar	210-735-0275
TX-0653	Meat	Processing Only	Mertz Sausage Co.	619 Cupples Rd.	San Antonio	TX	78237	Bexar	210-433-3263
TX-0656	Meat & Poultry	Processing Only	Braun Food Service	1305 S. Brazos	San Antonio	TX	78207	Bexar	210-434-6731
TX-0658	Meat	Processing Only	Penas Meat Market	3114 Morgan	Corpus Christi	TX	78405	Nueces	361-884-8118
TX-0673	Meat	Processing Only	Dan's Processing Center Inc.	701 S. Stadium Rd.	Alice	TX	78332	Jim Wells	361-668-8293
TX-0675	Meat	Processing Only	Dziuk's Meat Market	608 Hwy 90 W.	Castroville	TX	78009	Medina	830-538-3082
TX-0680	Meat & Poultry	Processing Only	Big's Sausage LLC	2915 East 12th Street	Austin	TX	78702	Travis	512-472-6707
TX-0700	Meat	Slaughter and Processing	Maeker Processing Plant	813 E 16th Street	Shiner	TX	77984	Lavaca	(361) 594-2172
TX-0710	Meat	Slaughter and Processing	Kasper Packing Co.	2109 West Highway 90	Weimar	TX	78962	Colorado	(979) 725-6203
TX-0713	Meat	Processing Only	Borracho Products LLC	713 Talbot Ave	Canutillo	TX	79835	El Paso	915-328-4014
TX-0719	Meat	Slaughter and Processing	Eckermann's Meat Market, Inc.	2543 FM 1457	New Ulm	TX	78950	Austin	(979) 836-8858
TX-0731	Meat	Processing Only	Castro Foods	34389 S. Old Alice Rd. from Hwy 100	Los Fresnos	TX	78566	Cameron	956-233-4052
TX-0732	Meat	Processing Only	Alaniz Foods	35 Sybil Drive	Brownsville	TX	78520	Cameron	956-266-5708
TX-0740	Meat & Poultry	Processing Only	Culebra Meat Packing	2800 Culebra Rd.	San Antonio	TX	78220	Bexar	210-432-2170
TX-0749	Meat & Poultry	Processing Only	Longhorn Meat Market	2411 East Martin Luther King Blvd.	Austin	TX	78702	Travis	512-476-5223

TX-0750	Meat	Processing Only	Latino's Meat Company	7405 Canal Street	Houston	TX	77011	Harris	(713)926-9090
TX-0751	Meat	Processing Only	Los Corrales	7515 Navigation Boulevard	Houston	TX	77012	Harris	(713)928-3669
TX-0759	Meat	Slaughter and Processing	Thompson's Custom Meats & Processing	3050 Highway 2861	Comanche	TX	76442	Comanche	254-879-3313
TX-0765	Meat	Slaughter and Processing	Gonzales Processing	3187 N US 183	Gonzales	TX	78629	Gonzales	(830) 672-2135
TX-0766	Meat	Processing Only	Ranger Meat Company	Loop 254	Ranger	TX	76470	Eastland	254-647-1563
TX-0776	Meat	Slaughter and Processing	Shamrock Slaughter	6400 US Highway 83	Shamrock	TX	79079	Wheeler	806-256-3241
TX-0803	Meat	Slaughter & Processing	Mercantile Company Meat Plant	Cypress at Johnson	Utopia	TX	78884	Uvalde	(830)966-2222
TX-0821	Meat	Processing Only	Tio Taco Products	901 E. University Dr.	Edinburg	TX	78541	Hidalgo	956-383-5202
TX-0836	Meat	Processing Only	My Thanh Food Service Company	11210 Bellaire Blvd., Ste. 147	Houston	TX	77072	Harris	(281)498-7089
TX-0848	Meat / Poultry	Processing Only	Pulido Associates, Inc	4924 Old Benbrook Rd	Fort Worth	TX	76116	Tarrant	817-731-4241
TX-0917	Meat	Processing Only	Jimenez Meat Market	2010 Railroad Street	Odessa	TX	79761	Ector	432-580-8226
TX-0937	Meat	Processing Only	Big State Meat Co., Inc.	828 North Jim Miller Road	Dallas	TX	75217	Dallas	214-398-1247
TX-0953	Meat	Slaughter Only	Cal Farley's Boys Ranch	Boys Ranch	Boys Ranch	TX	79701	Oldham	806-533-2329
TX-0997	Meat	Processing Only	Storm's Across Texas	206 North Chestnut	Lampasas	TX	76550	Lampasas	512-556-9400
TX-1071	Meat	Slaughter and Processing	Sul Ross State University	90560 E US Hwy 90	Alpine	TX	79830	Brewster	432-837-8208
TX-1073	Meat	Slaughter and Processing	Tarleton State University Meat Lab	Farm Road 8	Stephenville	TX	76401	Erath	254-968-9204
TX-1074	Meat	Processing Only	Renko's Sausage Co., Inc.	109 North Lyndalyn	De Soto	TX	75115	Dallas	972-223-7871
TX-1085	Meat & Poultry	Processing Only	Bolner Meat Co.	2900 S. Flores St.	San Antonio	TX	78204	Bexar	210-534-5481
TX-1108	Meat / Poultry	Processing Only	Twelve Oaks Catering Company, L.C.	7700 Brookhollow Rd	Dallas	TX	75235	Dallas	214-956-9797
TX-1220	Meat	Slaughter and Processing	Clint & Sons	119 West 3rd Street	White Deer	TX	79097	Carson	806-883-7831
TX-1302	Meat	Processing Only	Quality Processing	6141 Griggs Road	Houston	TX	77023	Harris	(713)644-7829
TX-1322	Ritual Meat	Slaughter and Processing	Cobbs Meat Processing	362 CR 34550	Sumner	TX	75486	Lamar	903-785-7012
TX-1330	Meat	Slaughter Only	Hira Halal Meats, Inc	19922 Bauer Hockley	Tomball	TX	77377	Harris	281 650-8628
TX-1336	Meat	Processing Only	GuanaMex Meat	3435 Jane Lane	Dallas	TX	75229	Dallas	972-481-1751
TX-1347	Meat & Poultry	Processing Only	Alfonso's Mexican Food Products	2000 SE Loop 410, Suite 103	San Antonio	TX	78220	Bexar	210-648-6060
TX-1349	Meat & Poultry	Processing Only	Northern Food Distributors	810 Success Court Suite #100	Stafford	TX	77477	Fort Bend	281-261-5160
TX-1350	Meat	Processing Only	G & G Trading	714 South Fort Hood Street	Killeen	TX	76541	Bell	254-519-0888
TX-1353	Meat	Slaughter & Processing	The Butcher Block Meat Processing	125 N. Ave. D	Cross Plains	TX	76443	Callahan	254-725-4035
TX-1355	Meat	Processing Only	Jalisco Meat Market & Grocery	2763 South Staples	Corpus Christi	TX	78404	Nueces	361-853-0019
TX-1361	Meat	Processing Only	Unidos Meat Market Inc.	9321 Irvington Blvd.	Houston	TX	77022	Harris	713-699-1827
TX-1394	Meat	Slaughter and Processing	Rancher's Meats, Inc.	3732 Farm Market 529	Bellville	TX	77418	Austin	(979)865-3822
TX-1395	Meat & Poultry	Slaughter and Processing	Harris County Farm	15437 Miller Road 1	Houston	TX	77049	Harris	281-797-8668
TX-1396	Meat	Processing Only	El Mexicano Food Products	103 Old Robstown Rd.	Corpus Christi	TX	78408	Nueces	361-688-0332
TX-1401	Meat	Processing Only	Bronco Meat Inc.	8450 Alameda Ave.	El Paso	TX	79907	El Paso	915-860-7931
TX-1413	Meat	Slaughter and Processing	Willie Joe's Processing	2218 Krischke Road	Schulenberg	TX	78956	Fayette	(979) 561-8272
TX-1416	Meat	Processing Only	Star Meat Co	5427 N. Shepherd	Houston	TX	77091	Harris	713-692-0894
TX-1419	Meat	Slaughter and Processing	Mt.Pleasant Meat Processing	1232 Dove Avenue	Mt. Pleasant	TX	75455	Titus	903-572-9277
TX-1421	Meat / Poultry	Processing Only	Pacific Eagle Trading, Inc	11362 Kline Dr.	Dallas	TX	75229	Dallas	214-516-1073
TX-1422	Meat / Poultry	Processing Only	MSJD Manufacturing, LLC	1020 Dale Evans Drive	Italy	TX	76651	Ellis	972-483-7264
TX-1424	Meat	Processing Only	Fajita Haus Meat Processors, LLC	3321 W. Business 83	McAllen	TX	78501	Hidalgo	956-630-2444

TX-1427	Meat / Poultry	Processing Only	Hong Kong Meat	2615 West Pioneer Parkway	Grand Prairie	TX	75051	Tarrant	469-363-7555
TX-1428	Meat / Poultry	Processing Only	Big Texas Mobile Food Service	4619 East Grand Avenue	Dallas	TX	75223	Dallas	214-788-2814
TX-1429	Meat	Slaughter & Processing	Santa Anna Custom Processing	503 Wallis	Santa Anna	TX	76878	Coleman	325-348-9171
TX-1432	Ritual Meat	Slaughter and Processing	Triple J Livestock Halal Inc	1200 Mars Road	Ferris	TX	75125	Dallas	972-469-5513
TX-1433	Meat & Poultry	Processing Only	Delgar Foods	106 W. Nolana	San Juan	TX	78589	Hidalgo	956-961-4609
TX-1438	Meat	Processing Only	Vinh Huong Food Products #2	11209 Bellaire Blvd. Ste C27	Houston	TX	77072	Harris	281-428-0703
TX-1440	Meat	Processing Only	Southside Market & Barbeque, Inc.	1212 Hwy 290 E	Elgin	TX	78621	Bastrop	512-281-4650
TX-1445	Meat	Processing Only	Yuris Food, LTD.	6933 Flintrock Road, Bldg #4	Houston	TX	77040	Harris	713-715-8093
TX-1449	Meat	Processing Only	Chicharrones El Guero	1130 W. Palma Vista Drive	Mission	TX	78572	Hidalgo	956-313-2219
TX-1452	Meat	Processing Only	Zapata Carne Seca, LLC.	613 E. FM 496	Zapata	TX	78076	Zapata	956-765-6111
TX-1459	Meat	Processing Only	Productos Dona Blanca	216 N. Zapata Hwy. Suite 15	Laredo	TX	78043	Webb	956-238-4747
TX-1464	Meat	Processing Only	Brockhouse Partners, LLC	210 N. Kaufman St., Suite B	Seagoville	TX	75159	Dallas	469-333-5265
TX-1466	Meat	Slaughter and Processing	West Texas Meats LLC	601 Railroad Ave	Seagraves	TX	79359	Gaines	806-387-3532
TX-1468	Meat & Poultry	Processing Only	Merida Foods, LLC	750 Merida	San Antonio	TX	78207	Bexar	210-368-9403
TX-1472	Meat	Processing Only	Bola Pizza, LLC	7950 Anderson Sq., #105	Austin	TX	78757	Travis	512-453-7223
TX-1475	Meat & Poultry	Processing Only	General Store Smokehouse	5990 E. FM. 1518 N.	Converse	TX	78109	Bexar	210-667-1565
TX-1476	Meat & Poultry	Slaughter and Processing	Texas All Grass-Fed	1962 Hluchlan Rd.	Sealy	TX	77474	Austin	713-447-7737
TX-1481	Meat / Poultry	Processing Only	ICON Meals	4312 McEwon Rd	Farmers Branch	TX	75244	Dallas	844-879-4266
TX-1482	Meat & Poultry	Slaughter and Processing	Detroit Processing Inc.	105 West Garner	Detroit	TX	75436	Red River	903-674-6911
TX-1488	Meat	Processing Only	Granny's Cajun Boudain	370 Waddell St.	Vidor	TX	77662	Orange	409-786-3032
TX-1492	Meat & Poultry	Processing Only	Colinas Foods	802 Brandi Ln Unit D	Round Rock	TX	78681	Williamson	512-201-4480
TX-1497	Meat / Poultry	Processing Only	Along Came Tamales, Corp.	113 E. Fate Main Place	Fate	TX	75132	Rockwall	214-240-7596
TX-1513	Meat	Slaughter and Processing	International Magsa, LLC	15412 FM 490	Hargill	TX	78549	Hidalgo	956-270-2810
TX-1514	Meat	Processing Only	Jackson Brothers Meat Company	960 East Hwy 327	Silsbee	TX	77656	Hardin	409-386-6516
TX-1515	Meat	Processing Only	Carniceria Hidalgo	2702 Dunbar St.	Corpus Christi	TX	78405	Nueces	
TX-1519	Meat	Processing Only	CAWS Cracklin	19128 W. Little York Rd, Unit J	Katy	TX	77449	Harris	832-441-5232
TX-1520	Meat & Poultry	Processing Only	JB Processing	505 S. Loop 1604 E. #4	San Antonio	TX	78264	Bexar	210-427-8359
TX-1521	Meat	Slaughter and Processing	Rail 19	8843 State Highway 19 South	Brashear	TX	75420	Hopkins	903-485-8505
TX-1523	Meat & Poultry	Processing Only	Klein Smoked Meats LLC	342 North Main St	Boerne	TX	78006	Kendall	830-249-8063
TX-1525	Ritual Meat	Slaughter and Processing	Valley Crest Inc.	9540 County Rd 344	Terrell	TX	75161	Kaufman	972-400-2933
TX-1529	Meat	Slaughter and Processing	All Hale Meats, LLC	930 West 5th	Wolfforth	TX	79382	Lubbock	806-771-0340
TX-1530	Meat	Slaughter and Processing	Capital Meats LLC	9714 CR 272	Bertram	TX	78605	Burnet	512-538-5689
TX-1532	Ritual Meat & Poultry	Meat Ritual Slaughter & Processing and Poultry Processing Only	KMIS LLC dba US Halal Meat	143 Jim Lamb Road	Sherman	TX	75090	Grayson	972-408-5876
TX-1534	Meat / Poultry	Processing Only	GAG Meat Processors LLC	4000 Ash Ln.	Dallas	TX	75223	Dallas	469-509-2007
TX-1541	Meat / Poultry	Processing Only	Fresh N Tender Halal Foods	1301 West Parker	Plano	TX	75023	Collin	469-543-0907
TX-1546	Meat	Processing Only	Starr Jerky Co.	6354 FM 1430	Rio Grande City	TX	78582	Starr	956-353-1075
TX-1549	Poultry	Processing Only	Texas Masala Dhaba LLC.	8440 Burnet Rd #100	Austin	TX	78757	Travis	512-423-8517
TX-1550	Meat	Processing Only	Wild West Beefsticks	119 S. Church St.	Jacksboro	TX	76458	Jack	817-614-2464
TX-1553	Ritual Meat & Poultry	Slaughter and Processing	Voss Beasley Ranch	2134 FM 1875	Beasley	TX	77417	Fort Bend	713-829-6757

TX-1554	Meat	Processing Only	Visca LLC	1 Brookmeadow Dr.	Wimberley	TX	78676	Hays	512-842-3112
TX-1555	Meat	Processing Only	Felito's Finest LLC	627 FM 2844	Santa Elena	TX	78591	Starr	956-735-6401
TX-1558	Meat	Processing Only	Zuazua Products and Services, LLC. DBA Alamo Sun Dried Beef	5860 South Loop 1604 West #2	Von Ormy	TX	78073	Bexar	210-369-1044
TX-1559	Ritual Meat & Poultry	Slaughter and Processing	The Rooster	9707 Hwy. 36	Orchard	TX	77464	Fort Bend	832-847-2208
TX-1560	Meat	Processing Only	Tortilleria La Gloria LLC.	715 Enrique M Barrera PKWY	San Antonio	TX	78237	Bexar	210-240-2906
TX-1563	Meat & Poultry	Processing Only	The Salumeria	12345 Pauls Valley Rd. Bdg F	Austin	TX	78737	Hays	305-434-2734
TX-1565	Meat	Slaughter & Processing	Thompson's Custom Meats & Processing	111 W Elm Street	Dublin	TX	76446	Erath	254-445-4180
TX-1567	Ritual Meat & Poultry	Slaughter Only	Alamo Farms, Inc.	200 Chihuahua St	San Antonio	TX	78207	Bexar	210-998-2800
TX-1568	Meat	Processing Only	Salvation Salumi, LLC	498 Long Run, Bldg #2	Liberty Hill	TX	78642	Williamson	512-773-9321
TX-1569	Meat & Poultry	Processing Only	Alamo City Meat Market LLC	1823 W. Travis	San Antonio	TX	78207	Bexar	210-781-2545
TX-1571	Meat	Slaughter & Processing	Windthorst Sausage Company LLC.	17565 US Hwy 281	Windthorst	TX	76389	Archer	940-423-6655
TX-1574	Meat & Poultry	Processing Only	Agricole East End Collective LLC	1201 St Emanuel	Houston	TX	77003	Harris	832-582-7202
TX-1575	Meat & Poultry	Processing Only	Dady Premier Catering	1508 Guadalupe	San Antonio	TX	78207	Bexar	210-373-7589
TX-1577	Meat & Poultry	Processing Only	Koko's Suarez LLC	2216 Fern Ave Ste 20	McAllen	TX	78503	Hidalgo	956-630-5656
TX-1578	Meat & Poultry	Processing Only	Underbelly Catering LLC	2526 Airline Drive	Houston	TX	77009	Harris	970-901-1043
TX-1579	Meat	Slaughter Only	Al-Noor Halal Meat	9707 Hwy 36	Orchard	TX	77464	Fort Bend	832-630-9003
TX-1581	Meat & Poultry	Processing Only	HEB SA26	17460 I-35 Suite 500	Schertz	TX	78154	Guadalupe	210-651-0415
V-0009	Meat	Voluntary Processing Only	Texas Wild Game Co-op / Broken Arrow Ranch	3296 Junction Highway	Ingram	TX	78025	Kerr	800-962-4263
V-0010	Mobile Meat	Voluntary Slaughter Only	Broken Arrow Ranch (TX Wild Game)	3296 Junction Hwy.	Ingram	TX	78025	Kerr	830-367-5875
V-0018	Meat	Slaughter & Processing	Mercantile Company Meat Plant	Cypress at Johnson	Utopia	TX	78884	Uvalde	(830)966-2222
V-0029	Meat	Slaughter & Processing	Uvalde Meat Processing	508 South Wood St.	Uvalde	TX	78801	Uvalde	830-278-6247
V-0030	Mobile Meat	Slaughter Only	Broken Arrow Ranch	3296 Junction Highway	Ingram	TX	78025	Kerr	800-963-4263
V-0038	Meat	Slaughter & Processing	Dutchman's Market	1609 E. Main	Fredericksburg	TX	78624	Gillespie	(830)997-5693
V-0039	Meat	Voluntary Processing Only	Dziuk's Meat Market	608 Hwy 90 W.	Castroville	TX	78009	Medina	830-538-3082
V-0040	Meat	Voluntary Slaughter & Processing	Eckermann's Meat Market, Inc.	2543 FM 1457	New Ulm	TX	78950	Austin	(979) 836-8858
V-0049	Quail	Voluntary Slaughter & Processing	Texas Quail Farms, LP	256 Brushy Branch Road	Lockhart	TX	78644	Caldwell	(512) 376-2072
V-0057	Meat	Slaughter & Processing	Mills County Meat Company	1119 Parker	Goldthwaite	TX	76844	Mills	325-648-3111
V-0073	Quail	Slaughter & Processing	Diamond H Foods LTD	1598 Highland Dr.	Bandera	TX	78003	Bandera	830-796-4540
V-0083	Meat	Slaughter & Processing	Shape Ranch Thunder Heart Bison	Hwy. 186S	Carrizo Springs	TX	78834	Dimmit	(210)930-0841
V-0278	Meat	Slaughter Only	Penshorn's Meat Market, LLC	113 West San Antonio Street	Marion	TX	78124	Guadalupe	830-420-2327
V-0294	Meat	Slaughter & Processing	Bayco Meat Processing	205 East McLain Street	Seymour	TX	76380	Baylor	940-889-2424
V-0344	Meat	Processing Only	Oma's Choice Inc.	2122 Farm Market 109	Columbus	TX	78964	Colorado	(979)733-0679
V-0382	Meat	Slaughter Only	Hibler Family Slaughter & Processing	103 E. Wallace	San Saba	TX	76877	San Saba	325-372-5195
V-0450	Meat	Processing Only	Dallas Dressed Beef LLC	1348 Conant St	Dallas	TX	75207	Dallas	214-638-0142
V-0546	Meat	Slaughter and Processing	Hamilton Wholesale Meats	1410 Clear Lake Rd	Weatherford	TX	76086	Parker	817-596-8474
V-0564	Meat	Slaughter and Processing	Old Plantation Meat	2127 E Hwy 199	Springtown	TX	76082	Parker	817-677-2768
V-0759	Meat	Slaughter and Processing	Thompson's Custom Meats & Processing	3050 Highway 2861	Comanche	TX	76442	Comanche	254-879-3313
V-1322	Meat	Slaughter and Processing	Cobbs Meat Processing	362 CR 34550	Sumner	TX	75486	Lamar	903-785-7012; 903-375-5417
V-1369	Mobile Meat	Voluntary Slaughter Only	Specialty Meats of Texas	7005 US 277 South	San Angelo	TX	79604	Tom Green	325-895-1490

V-1394	Meat	Slaughter and Processing	Rancher's Meats, Inc.	3732 Farm Market 529	Bellville	TX	77418	Austin	(979)865-3822
V-1395	Meat	Slaughter and Processing	Harris County Farm	15437 Miller Road 1	Houston	TX	77049	Harris	281-797-8668
V-1419	Meat	Slaughter and Processing	Mt.Pleasant Meat Processing	1232 Dove Avenue	Mount Pleasant	TX	75455	Titus	903-572-9277
V-1429	Meat	Slaughter & Processing	Santa Anna Custom Processing	503 Wallis	Santa Anna	TX	76878	Coleman	325-348-9171
V-1432	Ritual Rabbit	Slaughter Only	Triple J Livestock Halal Inc	1200 Mars Road	Ferris	TX	75125		972-469-5513
V-1440	Quail	Voluntary Proc. Only	Southside Market & Barbeque, Inc.	1212 Hwy 290 E	Elgin	TX	78621	Bastrop	512-281-4650
V-1466	Meat	Slaughter and Processing	West Texas Meats LLC	601 Railroad Ave	Seagraves	TX	79359	Gaines	806-387-3532
V-1471	Meat	Slaughter and Processing	Lattimore Management LLC	589 Game Farm Road	Denison	TX	75021	Collin	903-965-4674
V-1476	Meat	Slaughter and Processing	Texas All Grass-Fed	1962 Hluchlan Rd.	Sealy	TX	77474	Austin	713-447-7737
V-1482	Meat	Processing Only	Detroit Processing Inc.	105 West Garner	Detroit	TX	75436	Red River	903-674-6911
V-1490	Meat	Voluntary Processing Only	Bellville Meat Market	128 S. Tesch	Bellville	TX	77418	Austin	979-865-5782
V-1513	Quail	Voluntary Slaughter and Processing	International Magsa, LLC	15412 FM 490	Hargill	TX	78549	Hidalgo	956-270-2810
V-1516	Mobile	Voluntary Slaughter Only	Unique Meats LLC	2218 Kriskche Rd	Schulenburg	TX	78956	Fayette	979-450-6056
V-1522	Meat	Voluntary Slaughter & Processing	Dean & Peeler Meatworks	201 W. Menchaca	Poth	TX	78147	Wilson	834-484-0012
V-1529	Meat	Slaughter and Processing	All Hale Meats, LLC	930 West 5th	Wolfforth	TX	79382	Lubbock	806-771-0340
V-1538	Mobile	Slaughter Only	Unique Meats LLC	2218 Kriskche Rd	Schulenburg	TX	78956	Fayette	979-450-6056
V-1542	Quail	Slaughter & Processing	Saba & Sweet's Farm	155 Oak Park Rd	Adkins	TX	78101	Wilson	210-995-7022
V-1559	Rabbit	Slaughter and Processing	The Rooster	9707 Hwy. 36	Orchard	TX	77464	Fort Bend	832-847-2208
V-1561	Meat	Voluntary Slaughter & Processing	BB Oak Creek Ranch LLC	2400 Bruner Mill Road	Columbus	TX	78934	Colorado	979-733-8635
V-1567	Meat	Slaughter Only	Alamo Farms, Inc.	200 Chihuahua St	San Antonio	TX	78207	Bexar	210-998-2800
V-1570	Mobile	Voluntary Slaughter Only	Legacy Meats	9440 Kirby Dr	Houston	TX	77054	Harris	210-862-4566
TA-0950 & P-0950	Meat & Poultry	Processing Only	Texas Best Proteins	5445 FM 2201	Santo	TX	76472	Palo Pinto	(940) 769-2028
TA-13551	Meat & Poultry	Processing Only	Chappell Hill Sausage Company	4255 Sausage Lane	Chappell Hill	TX	77426	Washington	(979) 836-5830
TA-19908	Meat & Poultry	Processing Only	Pruski's Market, Inc.	10140 Hwy 87 South	Adkins	TX	78101	Bexar	210-649-2151
TA-20425	Meat	Processing Only	Texas Best Beef Jerky	7043 Seymour Highway	Wichita Falls	TX	76308	Wichita	940-691-3664
TA-21750	Meat & Poultry	Processing Only	Lao Thai Nam	4444 West Illinois Avenue #400	Dallas	TX	75211	Dallas	214-331-1219
TA-21765 (P) & P-21765	Meat & Poultry	Processing Only	Performance Food Group of Texas, L.P.	4141 Lucius McCelvey Dr.	Temple	TX	76504	Bell	254-778-4519
TA-22059	Meat	Processing Only	Texas Wild Game Co-op / Broken Arrow Ranch	3296 Junction Highway	Ingram	TX	78025	Kerr	800-962-4263
TA-27381	Meat	Processing Only	Woo Shin Meat Market	11407 Emerald #105	Dallas	TX	75229	Dallas	972-488-9292
TA-33879	Meat	Processing Only	CS2 Ranch Brand Jerky LLC	13637 US Hwy 287N	Grapeland	TX	75844	Houston	936-687-2546; 936-687-5778
TA-34220	Meat	Processing Only	Williams & Conner Jerky	20 Lou Stroup St.	Uvalde	TX	78801	Uvalde	(830)278-5100
TA-44193	Meat	Processing Only	Clint & Sons	119 West 3rd Street	White Deer	TX	79097	Carson	806-883-7831
TA-44754		Processing Only	Unwrapping Flavors, LLC	314 Spencer Lane	San Antonio	TX	78201	Bexar	210-877-9949
TA-45246	Meat	Processing Only	Comings International LLC	5504 Bandera Road, Suite 509	San Antonio	TX	78238	Bexar	210-647-7870
CE-0001	Meat	Custom Exempt Processing Only	Woodbury Wild Game Processing	3286 Junction Highway	Ingram	TX	78025	Kerr	(830)367-5855

CE-0011	Meat	Custom Exempt Slaughter & Processing	Jack Scarborough	1 mile East of Banquette on Hwy 44. Then 1mi. South on FM Rd. at that point. (no number).	Banquette	TX	78380	Nueces	361-387-7237
CE-0012	Meat	Custom Exempt Slaughter & Processing	Meridian Frozen Food Locker	106 E. Morgan Street	Meridian	TX	76665	Bosque	254-435-2803
CE-0015	Meat	Custom Exempt Slaughter and Processing	Burton Meat Processing	1120 Navasota Street	Burton	TX	77835	Washington	979-289-4022
CE-0019	Meat	Custom Exempt Slaughter and Processing	Texline Meat Processing	Star Route 844	Texline	TX	78087	Dallam	806-362-4551
CE-0021	Meat	Custom Exempt Slaughter and Processing	Hopkins County Food Lockers	158 Putman	Sulphur Springs	TX	75483	Hopkins	903-885-5241
CE-0025	Meat	Custom Exempt Slaughter and Processing	Kountze FFA Meats Lab	1488 FM 1293	Kountz	TX	77625	Hardin	409-656-3685
CE-0035	Meat	Custom Exempt Slaughter & Processing	Country Slaughter House	3857 Burroughsville Road	Victoria	TX	77905	Victoria	(361) 573-9043
CE-0036	Meat	Custom Exempt Slaughter & Processing	Harwell's Custom Processing	7804 FM 236	Victoria	TX	77905	Victoria	(361) 575-5120
CE-0046	Poultry	Custom Exempt Slaughter Only	Oaks of Mamre Farm	27959 Mellman Road	Hempstead	TX	77445	Waller	
CE-0064	Meat	Custom Exempt Slaughter and Processing	Rendon Meats	12314 Rendon Rd	Burleson	TX	76028	Johnson	817-478-9511
CE-0070	Meat	Custom Exempt Slaughter and Processing	Tyers Processing	1300 North 6th St.	Crockett	TX	75835	Houston	936-544-7463
CE-0085	Meat & Poultry	Custom Exempt Slaughter and Processing	Sam Houston Meat Lab	2400 Avenue M	Huntsville	TX	77341	Walker	936-294-1235
CE-0092	Meat	Custom Exempt Processing Only	Rogers High School Meat Lab	1 Eagle Drive	Rogers	TX	76569	Bell	254-642-0047
CE-0093	Meat	Custom Exempt Slaughter & Processing	Jurek's Smokehouse	500 North J Avenue	Markham	Tx	77456	Matagorda	979-843-5211
CE-0098	Meat & Poultry	Custom Exempt Slaughter and Processing	Cabritos Garza	4519 Theiss Road	Humble	TX	77338	Harris	(281) 443-8185
CE-0114	Meat	Custom Exempt Slaughter	Hamza Farms	9022 Puritan Way	Rosharon	TX	77583	Brazoria	(713)459-3556
CE-0131	Meat	Custom Exempt Slaughter & Processing	H. W. Doyle Processing	1751 S. Main	Giddings	TX	78942	Lee	(979) 542-3555
CE-0132	Meat & Poultry	Custom Exempt Slaughter & Processing	Texas Farm Fresh Halal Meat	13221 Old Richmond Road	Houston	TX	77083	Harris	(281)650-1366
CE-0133	Meat	Custom Exempt Slaughter/Processing	Dime Box Meat Market	8362 FM 141 North	Dime Box	TX	77853	Lee	(979) 884-3535
CE-0140	Meat & Poultry	Custom Exempt Slaughter & Processing	Van Vleck High School	302 4th Street	Van Vleck	TX	77482	Matagorta	
CE-0151	Meat	Custom Exempt Slaughter and Processing	Hughes Springs Frozen Foods	105 Foster St.	Hughes Springs	TX	75656	Cass	903-639-2941

CE-0179	Meat	Custom Exempt Processing Only	Miller Meat Co.	1013 North Nelson	Fort Stockton	TX	79735	Pecos	432-336-2979
CE-0240	Meat	Custom Exempt Slaughter and Processing	Earth Lockers	104 W Main St	Earth	TX	79031	Lamb	806-257-3393
CE-0269	Meat	Custom Exempt	Going Custom Processing	6813 East Wallisville Road	Baytown	TX	77521	Harris	
CE-0294	Meat	Custom Exempt Slaughter and Processing	Bayco Meat Processing	205 East McLain Street	Seymour	TX	76380	Baylor	940-889-2424
CE-0320	Meat	Custom Exempt Slaughter & Processing	De la Garza Slaughter House	915 E. Freddy Gonzales Dr.	Edinburg	TX	78539	Hidalgo	956-383-9018
CE-0326	Meat	Custom Exempt Slaughter and Processing	Coats Processing	745 CR 4676	Atlanta	TX	75551	Cass	903-796-6817
CE-0355	Meat	Custom Exempt Slaughter and Processing	Nance Processing	7297 Brewer Road	Orange	TX	77630	Orange	409-745-3426
CE-0369	Meat	Custom Exempt Slaughter & Processing	Westphalia Market, Inc.	734 State Highway 320	Lott	TX	76656	Falls	254-584-4060
CE-0374	Meat	Custom Exempt Process Only	Green's Sausage House	16483 State Highway 53	Temple	TX	76501	Bell	254-985-2331
CE-0382	Meat	Custom Exempt Slaughter/Processing	Hibler Family Slaughter & Processing	103 E. Wallace	San Saba	TX	76877	San Saba	325-372-5195
CE-0384	Meat	Custom Exempt Slaughter & Processing	Mills County Meat Company Inc.	1119 Parker	Goldthwaite	TX	76844	Mills	325-648-3111
CE-0388	Meat	Custom Exempt Slaughter & Processing	Fultons Custom Processing LLC	606 Bus Hwy 6 N	Marlin	TX	76661	Falls	254-883-3131
CE-0438	Meat	Custom Exempt Slaughter & Processing	Chubby's Packing Company	2201 Hwy 105 East	Liberty	TX	77575	Liberty	936-298-2435
CE-0439	Meat	Custom Exempt Slaughter & Processing	Nicholson's Meat Co.	207 Broadway Street	Mertzon	TX	76950	Irion	325-835-2611
CE-0445	Meat	Custom Exempt Slaughter and Processing	Reeds Meat Processing	7187 FM 1010	Cleveland	TX	77327	Liberty	
CE-0455	Meat & Poultry	Custom Exempt Slaughter and Processing	Hayes Farm	7580 Bennett Lawson Rd	Mansfield	TX	76063	Johnson	817-477-1661
CE-0463	Meat	Custom Exempt Slaughter and Processing	Bishop's Meat Locker	812 CR 1655	Mt. Pleasant	TX	75455	Titus	903-572-7353
CE-0466	Meat	Custom Exempt Slaughter Processing	Holland High School Meat Lab	101 South Rose Lane	Holland	TX	76534	Bell	254-657-2523
CE-0471	Meat & Poultry	Processing Only	Wiatrek's Meat Market	912 N. Storts	Poth	TX	78147	Wilson	(830)484-2838
CE-0475	Meat	Custom Exempt Slaughter and Processing	Nederland ISD	220 17th Street	Nederland	TX	77627	Jefferson	409-719-6751
CE-0480	Meat	Custom Exempt Slaughter and Processing	Hooks High School	401 East Avenue A	Hooks	TX	75561	Bowie	903-547-2215

CE-0485	Meat	Custom Exempt Slaughter & Processing	Tatum's Custom Meats	1305 South 1st	Haskell	TX	76521	Haskell	940-864-3388
CE-0488	Meat	Custom Exempt Processing Only	Florence High School Meat Lab	401 County Road 970	Florence	TX	76527	Williamson	254-793-2495
CE-0489	Poultry	Custom Exempt Processing Only	Tai Hung Farm Poultry	13227 Old Richmond Road	Houston	TX	77083	Harris	(281)495-8847
CE-0492	Meat	Custom Exempt Slaughter and Processing	A & K Meat Processing	1303 8th Street	Wellington	TX	79095	Collingsworth	806-447-5660
CE-0494	Meat	Custom Exempt Slaughter/Processing	Lalo & Lalo Processing	2114 Jackson St.	Zapata	TX	78076	Zapata	956-285-5583
CE-0495	Meat	Custom Exempt Slaughter/Processing	Smithville Food Lockers	305 Royston St.	Smithville	TX	78957	Bastrop	(512) 237-2438
CE-0496	Meat	Custom Exempt Slaughter and Processing	Caddo Packing Co.,Inc.	609 S. Washington	Marshall	TX	75670	Harrison	903-935-2211
CE-0499	Meat	Custom Exempt Slaughter & Processing	Lake Gardens Processing	8325 US Highway 87 North	San Angelo	TX	76901	Tom Green	325-655-2559
CE-0502	Meat & Poultry	Custom Exempt Slaughter	Old Richmond Farm	13235 Old Richmond Road	Houston	TX	77083	Harris	(281)495-3099
CE-0503	Meat	Custom Exempt Slaughter and Processing	Klassen Custom Butchering, LLC	132 CR 320, Seminole	Seminole	TX	79360	Gaines	432-955-0767
CE-0509	Meat	Custom Exempt Slaughter & Processing	Hamilton Quality Meats	1205 South Rice	Hamilton	TX	76531	Hamilton	251-386-4646
CE-0528	Meat	Custom Exempt Processing Only	R & R Alsation Sausage and Products	1034 Country Lane	Castroville	TX	78009	Medina	830-931-2430
CE-0534	Meat	Custom Exempt Slaughter and Processing	Theiss Sausage Company	13754 FM 39 South	Normangee	TX	77871	Leon	
CE-0556	Meat	Custom Exempt Slaughter and Processing	Whispering Pines	2556 FM 3274	Emory	TX	75440	Rains	903-473-3901
CE-0570	Meat	Custom Exempt Slaughter and Processing	Lopez Meat Market	1101 East Waylon Jennings Blvd.	Littlefield	TX	79339	Lamb	806-385-5506
CE-0580	Meat	Custom Exempt Slaughter and Processing	PNP Processing	1790 CR 4501	Jacksonville	TX	75766	Cherokee	903-726-9509
CE-0616	Meat	Custom Exempt Processing Only	Ohl's Beef Jerky	3109 School Rd.	Needville	TX	77461	Fort Bend	(979)793-5440
CE-0621	Meat	Custom Exempt Slaughter & Processing	Jackson Slaughter and Processing	4461 Hwy 96 N	Silsbee	TX	77615	Hardin	(409) 385-4573
CE-0680	Meat	Custom Exempt Processing Only	Big's Sausage LLC	2915 East 12th Street	Austin	TX	78702	Travis	512-472-6707
CE-0700	Meat	Custom Exempt Slaughter/Processing	Maeker Processing Plant	813 E 16th Street	Shiner	TX	77984	Lavaca	(361) 594-2172
CE-0707	Meat	Custom Exempt Slaughter and Processing	Teels Custom Meats	1820 N Main	Weatherford	TX	76085	Parker	817-613-0095

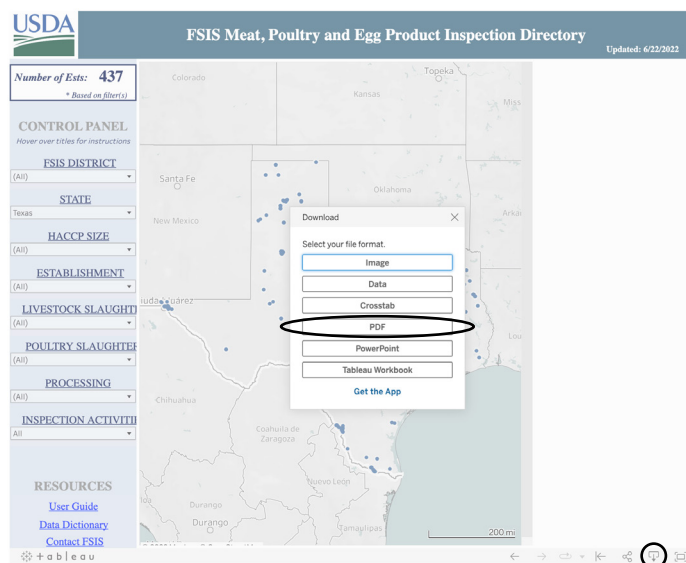
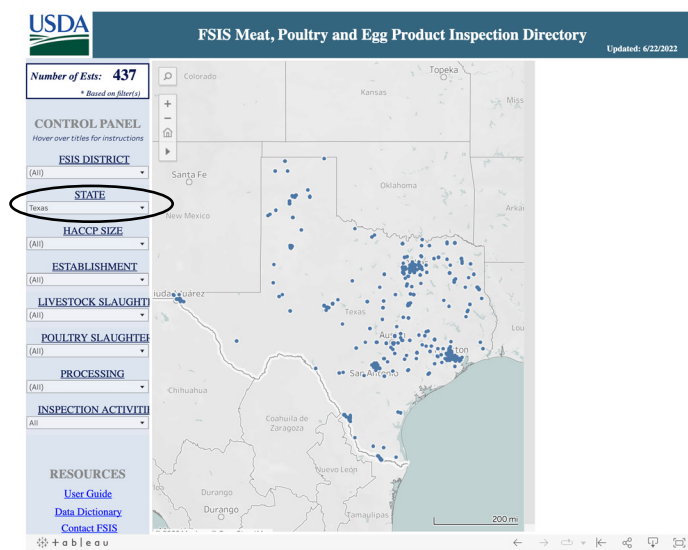
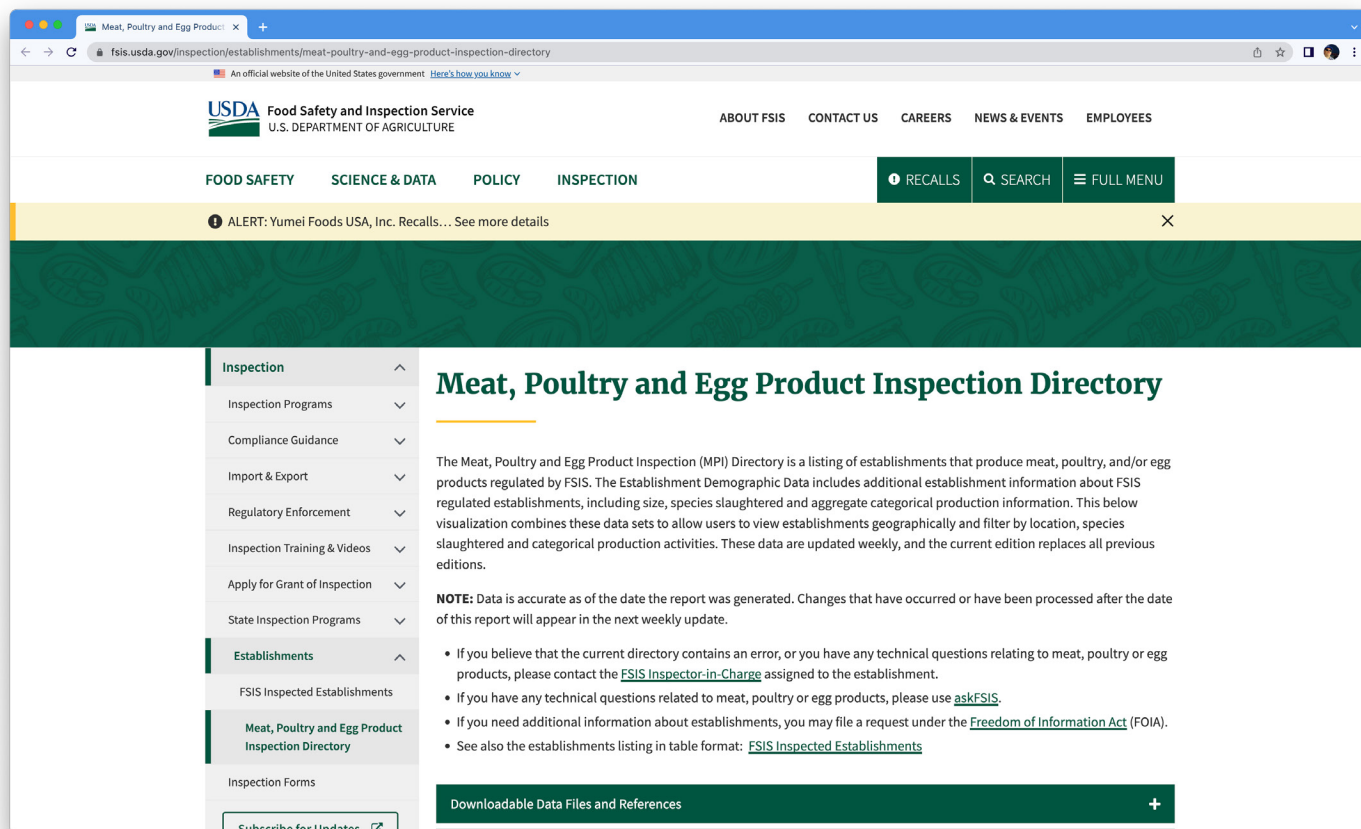
CE-0759	Meat	Custom Exempt Slaughter and Processing	Thompson's Custom Meats & Processing	3050 Highway 2861	Comanche	TX	76442	Comanche	254-879-3313
CE-0765	Meat	Custom Exempt Slaughter/Processing	Gonzales Processing	3187 N US 183	Gonzales	TX	78629	Gonzales	(830) 672-2135
CE-0777	Meat	Custom Exempt Slaughter and Processing	Jarrett's Meat Service	335 Crossroads Street	Madisonville	TX	77864	Madison	
CE-0850	Poultry	Custom Exempt Slaughter & Processing	Dai Fong Poultry Farm	11850 Walters Road	Houston	TX	77067	Harris	281-931-6558
CE-1135	Meat	Custom Exempt Slaughter & Processing	Dorecks Meat Market	4101 Highway 646 N	Santa Fe	TX	77510	Galveston	(409)925-6611
CE-1304	Meat	Custom Exempt Processing only	Hill Country Fine Meats	1405 State St.	Marble Falls	TX	78654		
CE-1306	Poultry	Custom Exempt Slaughter & Processing	Lillja Farm	14602 Lillja Road	Houston	TX	77060	Harris	281-587-1158
CE-1317	Meat	Custom Exempt Slaughter and Processing	Dyess Processing	3451 CR 1301	Rusk	TX	75785	Cherokee	
CE-1322	Ritual Meat	Custom Exempt Slaughter and Processing	Cobbs Meat Processing	362 CR 34550	Sumner	TX	75486	Lamar	903-785-7012; 903-375-5417
CE-1342	Meat / Poultry	Custom Exempt Slaughter and Processing	ANM's Farm	4024 N Hwy 78	Wylie	TX	75098	Collin	972-365-7630
CE-1353	Meat	Custom Exempt Slaughter & Processing	The Butcher Block Meat Processing	125 N. Ave. D	Cross Plains	TX	76443	Callahan	254-725-4035
CE-1363	Meat	Custom Exempt Slaughter and Processing	Butcher Block	2446 FM 852	Gilmer	TX	75644	Upshur	903-790-7382
CE-1365	Meat	Custom Exempt Processing only	Bernhard Meat Processing	2920 Junction Hwy	Kerrville	TX	78028	Kerr	830-367-2995
CE-1383	Meat	Custom Exempt Slaughter & Processing	K&S Custom Processing	8911 Highway 6 East	Cisco	TX	76437	Eastland	254-433-9121
CE-1391	Meat	Custom Exempt Slaughter & Processing	R & R Processing	164 HCR 2218	Aquilla	TX	76622	Hill	254-694-2801
CE-1394	Meat	Custom Exempt Slaughter & Processing	Rancher's Meats, Inc.	3732 Farm Market 529	Bellville	TX	77418	Austin	(979)865-3822
CE-1397	Meat	Custom Exempt Processing only	Nueces Country Smokehouse	1029 S. Texas Hwy 55	Camp Wood	TX	78833	Real	830-597-4242
CE-1398	Meat	Custom Exempt Slaughter and Processing	Brothers Processing	6200 FM 39N	Jewett	TX	75846	Leon	903-626-5358
CE-1402	Meat	Custom Exempt Slaughter and Processing	Hull's Meat Company Inc.	500 N Birdwell Lane	Big Spring	TX	79720	Howard	432-267-7781
CE-1405	Meat	Custom Exempt Slaughter and Processing	Wieler's Butcher Shop	170 CR 105-I	Seminole	TX	79360	Gaines	432-209-0148

CE-1415	Meat / Poultry	Custom Exempt Slaughter Only	Progresso Farms	2320 West Malloy Bridge	Seagoville	TX	75159	Dallas	469-931-0811 214-793-3357
CE-1419	Meat	Custom Exempt Slaughter and Processing	Mt.Pleasant Meat Processing Co.	1232 Dove Avenue	Mount Pleasant	TX	75455	Titus	903-572-9277
CE-1423	Meat	Custom Exempt Slaughter & Processing	Jackson Custom Slaughter and Deer Processing	818 East Wallisville Road	Highlands	TX	77562	Harris	
CE-1429	Meat	Custom Exempt Slaughter & Processing	Santa Anna Custom Processing	503 Wallis	Santa Anna	TX	76878	Coleman	325-348-9171
CE-1430	Meat	Custom Exempt Slaughter & Processing	Coleman County Processing	3500 N Highway 84	Coleman	TX	76834	Coleman	325-625-4813
CE-1431	Meat	Custom Exempt Slaughter & Processing	Devine Meat Company	1201 N. Windy Knoll	Devine	TX	78016	Medina	830-328-6328
CE-1432	Ritual Meat / Poultry	Custom Exempt Slaughter Only	Triple J Livestock Halal Inc	1200 Mars Road	Ferris	TX	75125	Dallas	972-469-5513
CE-1436	Meat	Custom Exempt Slaughter and Processing	Arrow-Tip Farm LLC	6000 FM 1258	Amarillo	TX	79118	Randall	806-671-5278
CE-1446	Meat & Poultry	Custom Exempt Slaughter & Processing	Uncle Bob Poultry Farm	1665 County Road 129	Alvin	TX	77511	Brazoria	832-766-8753
CE-1456	Meat/ Exotics	Custom Exempt Processing Only	4th Street Market	612 Chandler	Blanco	TX	78606	Blanco	(830)833-1194
CE-1465	Meat	Custom Exempt Processing Only	Alamo Market & Lockers	509 Front Street	Comfort	TX	78013	Kendall	830-995-5509
CE-1466	Meat	Custom Exempt Slaughter and Processing	West Texas Meats LLC	601 Railroad Ave	Seagraves	TX	79359	Gaines	806-387-3532
CE-1469	Meat	Custom Exempt Slaughter and Processing	Longview ISD Meat Science Lab	3209 Airline Dr.	Longview	TX	75605	Longview	903-663-7126
CE-1473	Meat	Custom Exempt Slaughter and Processing	J & S Meat Processing LLC	180 FM 833	Fairfield	TX	75840	Freestone	903-389-9964
CE-1477	Meat	Custom Exempt Processing Only	K&G Meat Market	418 Earl Garrett	Kerrville	TX	78028	Kerr	830-257-4434
CE-1482	Meat & Poultry	Custom Exempt Slaughter and Processing	Detroit Processing	105 West Garner	Detroit	TX	75436	Red River	903-674-6911
CE-1489	Poultry	Custom Exempt Slaughter & Processing	JE Ferguson Processing, LLC	10905 Ranch Road 2721	Johnson City	TX	78636	Gillespie	830-998-8030
CE-1491	Poultry	Custom Exempt Slaughter & processing	J&S Processing	4425 Old Lehmann Rd	Kingsbury	TX	78638	Guadalupe	830-305-6735
CE-1494	Meat	Custom Exempt Slaughter & Processing	Coronado's Processing	911 North Elm	Hebbronville	TX	78361	Jim Hogg	361-460-5522
CE-1495	Meat	Custom Exempt Slaughter & Processing	Koepp Quality Processing	2941 Hunter Rd	New Braunfels	TX	78132	Comal	530-632-5484
CE-1498	Meat	Custom Exempt Slaughter & Processing	Flint Canyon	1321 F.M. 56 N.	Glen Rose	TX	76043	Somervell	817-933-0571
CE-1499	Meat & Poultry	Custom Exempt Slaughter & Processing	Pullin's Processing	950 Hugo Rd	San Marcos	TX	78666	Hays	830-832-3687

CE-1500	Meat Ritual	Custom Exempt Slaughter and Processing	Eden View Farms LLC	17690 S Hwy 121	Trenton	TX	75490	Fannin	214-878-9699
CE-1501	Meat & Poultry	Custom Exempt Slaughter and Processing	3 GK Farms	1805 S FM 1174	Bertram	TX	78605	Burnet	512-635-2380
CE-1504	Meat	Custom Exempt Slaughter & Processing	Fleming's Wild Game Processing	5680 Hwy 190	Point Blank	TX	77364	San Jacinto	936-377-4514
CE-1508	Meat	Custom Exempt Slaughter and Processing	Chin Family Slaughter	12601 N Western St	Amarillo	TX	79108	Potter	806-336-7948
CE-1511	Meat	Custom Exempt Processing Only	Fredericksburg Ag Science Center	119 Hollmig Ln.	Fredericksburg	TX	78624	Gillespie	830-997-7551
CE-1513	Meat	Custom Exempt Slaughter and Processing	International Magsa, LLC	15412 FM 490	Hargill	TX	78549	Hidalgo	956-270-2810
CE-1521	Meat	Custom Exempt Slaughter & Processing	Rail 19	8843 State Hwy 19 South	Brashear	TX	75420	Hopkins	903-485-8505
CE-1524	Meat	Custom Exempt Slaughter Only	Oba Farms	336 Miles Lane	Greenville	TX	75401	Hunt	469-450-0556
CE-1525	Ritual Meat / Poultry	Custom Exempt Slaughter & Processing	Valley Crest Inc.	9540 County Rd 344	Terrell	TX	75161	Kaufman	972-400-2933
CE-1526	Meat	Custom Exempt Processing Only	Crowned King LLC	1029 S. Texas Hwy 55	Camp Wood	TX	78833	Real	830-597-4242
CE-1527	Meat	Custom Exempt Slaughter & Processing	Ali's Farm LLC	6707 Brockstein Rd.	Sealy	TX	77474	Austin	281-966-5327
CE-1529	Meat	Custom Exempt Slaughter and Processing	All Hale Meats, LLC	930 West 5th	Wolfforth	TX	79382	Lubbock	806-771-0340
CE-1530	Meat	Custom Exempt Slaughter and Processing	Capital Meats LLC	9714 CR 272	Bertram	TX	78605	Burnet	512-538-5689
CE-1532	Meat Ritual	Custom Exempt Slaughter and Processing	KMIS LLC dba US Halal Meat	143 Jim Lamb Road	Sherman	TX	75090	Grayson	972-408-5876
CE-1537	Meat	Custom Exempt Slaughter Only	Greenville Sheep & Goat Farm	207 County Road 1001	Greenville	TX	75401	Hunt	903-355-8120
CE-1539	Meat	Custom Exempt Slaughter and Processing	M&M Deer Processing, LLC.	512 E. Ave J.	Lampasas	TX	76550	Lampasas	512-556-5969
CE-1540	Meat	Custom Exempt Slaughter and Processing	Mustang Processing	12132 St Hwy 22	Meridian	TX	76665	Bosque	254-596-1213
CE-1543	Meat	Custom Exempt Slaughter Only	Lopez Farm	10518 FM 14	Tyler	TX	75706	Smith	903-360-2172
CE-1544	Meat	Custom Exempt Slaughter & Processing	Primo Processing, LLC	126 CR 432	Hondo	TX	78861	Medina	830-521-3337
CE-1545	Meat	Custom Exempt Slaughter & Processing	Ali's Family Ranch	2035 Ilka Switch	Seguin	TX	78155	Guadalupe	830-832-2657

CE-1547	Meat	Custom Exempt Slaughter Only	Schott Taxidermy, LLC	20145 Bandera Road	Helotes	TX	78023	Bexar	210-695-5009
CE-1548	Meat	Custom Exempt Processing Only	Schott Country Store, LLC	19405 Bandera Road	Helotes	TX	78023	Bexar	210-695-9731
CE-1552	Meat	Custom Exempt Slaughter & Processing	Carnes Packaging & Country Sto	20601 Hwy 110 South	Troup	TX	75789	Smith	430-777-5501
CE-1553	Ritual Meat & Poultry	Custom Exempt Slaughter and Processing	Voss Beasley Ranch	2134 FM 1875	Beasley	TX	77417	Fort Bend	713-829-6757
CE-1557	Meat	Custom Exempt Slaughter and Processing	Cabrito Market	4110 Hopper Rd.	Houston	TX	77093	Harris	346-243-7942
CE-1559	Ritual Meat & Poultry	Slaughter and Processing	The Rooster	9707 Hwy. 36	Orchard	TX	77464	Fort Bend	832-847-2208
CE-1562	Meat & Poultry	Custom Exempt Slaughter and Processing	Pilot Point Meat Processing LLC	203 S. Jefferson St.	Pilot Point	TX	76258	Denton	940-286-0520
CE-1564	Meat	Slaughter and Processing	Muleshoe Meat Processing	401 Main St.	Muleshoe	TX	79347	Bailey	806-272-4703
CE-1565	Meat	Custom Exempt Slaughter & Processing	Thompson's Custom Meats & Processing	111 W Elm Street	Dublin	TX	76446	Erath	254-445-4180
CE-1566	Meat & Poultry	Custom Exempt Slaughter and Processing	M&C Farms	13108 Hwy 36	Wallis	TX	77485	Fort Bend	281-935-5703
CE-1567	Meat & Poultry	Custom Exempt Slaughter Only	Alamo Farms, Inc.	200 Chihuahua St	San Antonio	TX	78207	Bexar	210-998-2800
CE-1572	Meat	Custom Exempt Processing Only	K&C Consolidated	209 N. Bell St	Hamilton	TX	76531	Hamilton	254-386-8242
CE-1573	Meat	Custom Exempt Slaughter and Processing	Hooves and Horns Meat Processing LLC	2331 East 287	Iowa Park	TX	76367	Wichita	940-631-4020
CE-1580	Mobile Meat	Custom Exempt Slaughter/Processing	VHR Ranch Mobile Slaughter	347 Prospect Rd	Ledbetter	TX	78946	Fayette	979-325-0718
CE-1582	Meat	Custom Exempt Slaughter & Processing	Central Texas Processing	901 Kunde Rd	Seguin	TX	78155	Guadalupe	830-255-7700

APPENDIX 4: FSIS LIST OF FEDERALLY-INSPECTED FACILITIES IN TEXAS



Go to the [USDA Food Safety and Inspection Service](https://www.fsis.usda.gov/inspection/establishments/meat-poultry-and-egg-product-inspection-directory) website and select Texas on the Directory shown above. At the bottom right corner, click Download and choose from the list of available formats.

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