



# Cattle Marketing Plans: Traditional vs. Direct to Consumer

## EXTENSION

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## Introduction

Cattle production is essential to Oklahoma's agricultural sector. To maximize profits, it is crucial that cattle producers have a marketing plan in advance. Many different avenues are available for producers to market cattle, and all have varying regulations and requirements. Although we will be providing beef examples throughout this fact sheet, many of the same rules for meat processing and sales apply to other amenable livestock species.

In this fact sheet, we focus on two marketing options, "traditional" and "direct to consumer" marketing approaches and answer several frequently asked questions:

- What level of processing facility inspection is required for my type of meat sale?
- Are there any rules limiting the sale or transportation of the meat? What types of consumers will be served with different approaches?
- What should I consider when finding the best marketing match for my operation?

## Traditional Marketing approach:

**Sale Barn** - Taking a load of cattle to the sale barn is one of the most common and easiest methods of marketing cattle. When using a sale barn, it is important that the producer be aware of a number of factors that can and will have an effect on the price they receive. Factors such as sex of their calves, castrated or not, breed makeup, weight, condition, lot size, health, horns or not and market location to name a few. Selling at auctions involves shipping and animal shrink as well as commission costs. Producers should have an idea of the worth of their cattle and current market trends before taking them to the sale barn. There are several sources for reliable market data such as Oklahoma Feeder Cattle Report ([www.ams.usda.gov/market-news/feeder-and-replacement-cattle-auctions#Oklahoma](http://www.ams.usda.gov/market-news/feeder-and-replacement-cattle-auctions#Oklahoma)). Being aware of market trends can help you maximize your potential revenue.

**Private Treaty or Off Farm Sales** – Selling live cattle directly from the farm can be another opportunity for producers to receive their target price for their cattle. In a private

treaty sale, the buyer and seller negotiate directly with each other over the sale price of the cattle. As mentioned before, it is critical the seller know the value of their cattle when entering these negotiations. Buyers willing to travel to the farm to purchase cattle are often looking for specific traits, production practices or lot size. Traits can include attributes such as breed, sex or weight. Production practices may include: pre-conditioned, grass fed or all natural. Buyers will typically pay a premium for the type and kind of cattle they are looking for and sellers avoid uncertainty in the market while building a relationship with that buyer. Selling directly from the farm will avoid commission costs but the details of shrink and weighing conditions are very important. Mississippi State University Extension has an in-depth article regarding private treaty sales ([https://extension.msstate.edu/sites/default/files/topic-files/cattle-business-mississippi-articles/cattle-business-mississippi-articles-landing-page/mca\\_may2013.pdf#:~:text=Private%20treaty%20sales%20are%20sales%20in%20which%20the,preparation%20before%20implementation%20to%20achieve%20the%20best%20results](https://extension.msstate.edu/sites/default/files/topic-files/cattle-business-mississippi-articles/cattle-business-mississippi-articles-landing-page/mca_may2013.pdf#:~:text=Private%20treaty%20sales%20are%20sales%20in%20which%20the,preparation%20before%20implementation%20to%20achieve%20the%20best%20results))

**Special Value-Added Programs** - Another marketing option is to take part in a value-added program. Typically, these programs are designed to sell groups of cattle at a special sale where all of the cattle being sold have been raised and/or treated in a like manner. Buyers looking for specific production practices can attend these sales and purchase cattle. Generally, value-added programs generate a premium for added production practices. Producers must adhere to the programs guidelines in order to take part.

One value-added program is the Oklahoma Quality Beef Network or OQBN. OQBN is a pre-conditioning program made possible by a joint venture between the Oklahoma Cooperative Extension Service and the Oklahoma Cattlemen's Association. Cattle enrolled in OQBN must be weaned for a minimum of 45 days, taught to eat and drink from troughs and tanks, and follow certain health protocols. Health protocols include vaccination with the 5-way respiratory vaccine, Pasteurella/Haemolytica (shipping fever) and the 7-way clostridial (black-

leg) vaccine. Exact specifications and details of the Vac-45 requirements can be found at: <https://extension.okstate.edu/programs/oklahoma-quality-beef-network/vac-45-information.html>. Cattle enrolled in the OQBN program in 2021 drew a \$15/cwt higher premium than cattle with no preconditioning.

In addition to the revenue benefits, the OQBN preconditioning program reduces stress, reduces shrink, and builds up disease immunity. Cattle in the program are heavier after 45 days of preconditioning as opposed to selling at weaning. OQBN also stresses antibiotic stewardship. Addressing mass treatment with antibiotics and its impact on antibiotic resistance is essential in reducing overall morbidity. If producers choose to market their cattle at one of the many OQBN Certified sales, they will know their sale time and date well in advance of marketing time. The complete list of program requirements and additional information can be found here: <https://extension.okstate.edu/programs/oklahoma-quality-beef-network>

## Cattle Processing:

### Levels of processing plant inspection

To explain direct to consumer marketing, it's important to explain the four levels of processing facility inspection. For example, if you plan to sell your meat direct to consumers as cuts of meat, you will need to have the animal processed at a federally inspected (USDA Food Safety Inspection Service, aka USDA FSIS), state inspected (Oklahoma Department of Agriculture, Food and Forestry, aka ODAFF) or a Talmadge-Aiken Act (TA) facility. If you are selling the live animal to one or more consumers who will then have the animal processed for their own consumption (i.e., the resulting meat products are not for sale), the animal can be processed in a custom exempt facility. We provide more information and considerations after the table.

**Table 1.** Definitions and rules for the four meat processing types.

	<b>Federally Inspected</b>	<b>State Inspected</b>	<b>Talmadge-Aiken Act</b>	<b>Custom Exempt</b>
Registration	Must register and be approved by USDA FSIS.	Must register and be approved by ODAFF.	Must register and be approved by USDA FSIS.	Must register and be approved by ODAFF.
Inspection	Livestock and facilities are inspected.	Livestock and facilities are inspected.	Livestock and facilities are inspected.	Quarterly sanitation checks by ODAFF, no inspection of livestock.
Inspector	A USDA FSIS inspector must be onsite when livestock are harvested and daily during processing.	ODAFF inspector must be onsite when livestock are harvested and at some point daily when processing is taking place.	Federal plant with state-employed inspectors.	N/A
Inspector Overtime	The plant is responsible for paying overtime of inspectors.	The plant is responsible for paying overtime of inspectors.	The plant is responsible for paying overtime of inspectors.	N/A
<b>Selling Capabilities</b>	<b>Product can be sold and shipped across the United States*.</b>	<b>Product can only be sold within Oklahoma.</b>	<b>Product can be sold and shipped across the United States*.</b>	<b>Meat cannot be sold or donated; must be consumed by family or non-paying guests of the owner of the livestock.</b>
Plan Requirements	Must create, implement and maintain HACCP and SSOP plans.	Must create, implement and maintain HACCP and SSOP plans.	Must create, implement and maintain HACCP and SSOP plans.	N/A
Standard Requirements	Must meet federal facility standards.	N/A	Must meet federal facility standards.	N/A

\*Some USDA and TA plants have the capability to export meat products to specific approved countries if they successfully meet the FSIS requirements for export certification. Export activities must be processed via the Public Health Information System (PHIS).

The ODAFF website provides a list of current state inspected, custom exempt and TA facilities in Oklahoma (<https://ag.ok.gov/divisions/food-safety/>). Only the state-inspected and TA facilities identified with an “S” (Slaughter) or “C” (Combination slaughter/processing) have the state’s approval to slaughter livestock for the purposes of selling the meat. “P” (Processing) facilities can make further processed products from carcasses slaughtered elsewhere, but are not approved for slaughter activities themselves. Finding a facility close to your operation that has capacity for your cattle can be difficult. Booking for slaughter times often must be done months in advance. It is important to communicate with your chosen facility in advance.

## **Selling Direct to Consumer via Custom Exempt Slaughter**

Custom-exempt slaughter has fewer inspection requirements and is registered and approved by ODAFF. Under a custom-exempt scenario, the cattle producer sells a live animal to one or more buyers. The animal is taken to the processing facility and the resulting meat products are owned by the one or more buyers of the live animal. The meat can be consumed by their family/families or non-paying guests. Meat that is slaughtered under a custom-exempt scenario cannot be sold as individual cuts and has “not for resale” listed on the packaging.

Consumers are often confused by the difference in live weight and meat produced. Additional information can be found in fact sheet FAPC-245 Custom Beef Processing Expected Yields (<https://extension.okstate.edu/fact-sheets/custom-beef-processing-expected-yields.html>). It is important to set realistic expectations for the consumer. Consumers also may experience a per-pound price sticker shock. They may not realize that the average price per pound includes less expensive cuts such as hamburger, and more expensive cuts such as ribeyes. When selling live animals for custom exempt, some consumers may only purchase a percentage of the live animal. It is important that the consumer understands the cuts of meat they will be receiving and selects either the front or rear quarter based on their needs, and the needs of the other buyers of the live animal. Most consumers select the exact butchering specifications from a sheet provided by the processor. Freezer space may be a limiting factor for some consumers. More information can be found in AFS-3401 Buying Beef for Home Freezers (<https://extension.okstate.edu/fact-sheets/buying-beef-for-home-freezers.html>).

## **Selling Direct to consumers via State or Federally Inspected slaughter and TA**

If your animal was slaughtered and processed in a state, federal or TA inspected plant, individual cuts of meat are eligible for resale. The processing plant should be able to help guide producers on necessary labeling for individual resale. Any specialty logo or labeling designed may result in additional costs. Organizations such as Oklahoma State’s Robert M. Kerr Food and Agricultural Processing Center (<https://food.okstate.edu/expertise/focus-areas.html>) can help

with the design and labeling requirements.

In general, pricing individual cuts can be more difficult. The USDA has information about boxed beef cuts that may be helpful in gauging prices ([https://www.ams.usda.gov/mn-reports/ams\\_2453.pdf](https://www.ams.usda.gov/mn-reports/ams_2453.pdf)). You need to take into consideration the cost of raising the animal, as well as the quality of the particular cut you are pricing. If you are selling lower quality animals, you may consider processing for hamburger only.

## **Selling at a Farmers Market**

Selling individual cuts of meat at farmers markets can be an opportunity for some producers. While nearly every farmers market has different rules, some may require a county health department certification. On top of this requirement, markets can have fees of up to \$900 for an annual license. Some farmers markets may allow you to simply have flyers advertising, whole, halves and quarters of live animals for custom exempt slaughter. Others will require the sale of actual product, which would require state, federally or TA inspected slaughter. Additional considerations for selling the actual cuts at farmers market include keeping the meat frozen and other food safety issues. When considering selling at a farmers market consider the following:

- Does the farmers market allow meat products to be sold at its venue? This is especially important to consider given some farmers markets do not allow processed food products.
- How far is the farmers market from my operation?
- What additional licenses or fees are necessary?
- Do I have the storage available to keep meat frozen before and after the market?
- Do I have the correct receptacles, dried ice, or portable freezer to keep meat frozen while at the farmers market?
- Do I have the labor, or time myself to sit at the farmers market?

## **Selling “Out of the Freezer”**

If selling state or federally inspected or TA meat, there is also the option to sell the product “out of the freezer.” This can help you avoid some costly fees associated with farmers markets or opening a storefront. If you are shipping the meat product you must:

- Use a Styrofoam cooler to hold product.
- The product must be kept frozen-packed with dry ice (regular ice will not work).
- The package must be labeled perishable .
- US Mail, UPS, Fed Ex all have 2 day shipping options.

When selling out of your freezer, ensure that you have adequate storage for the frozen meat. There can also be storage costs associated with storing meat for long periods. (For example, a ribeye may sell quicker than a heart. Plan for these considerations in your cost of storage.) Will you have people pick the meat up from your home? Will you meet at a public location? How will you advertise? Your personal safety and level of comfort with strangers on your property should be considered.

## Additional Licensing Requirements for Distributing Meat Products

While ODAFF licensing is not required, it is recommended. Having the free license number displayed can often work in your favor if you have a regulatory issue. The certification of registration for distributors, meat brokers and public warehouses is available here: <https://ag.ok.gov/divisions/food-safety/>.

Rules for additional licensing can vary depending on county health department rules, so make sure that you are up to date on all licensing procedures and requirements, especially if delivering to grocery stores or restaurants as part of a branded beef program.

## Conclusion

Both traditional and direct-to-consumer marketing approaches can be viable options for capturing cattle premiums. The biggest barriers to direct-to-consumer beef marketing are typically slaughter facility inspection requirements and time.

### General considerations for traditional methods:

- Where should I sell my cattle.
- What time of year?
- Will I participate in a preconditioning program?
- Private treaty, or sale barn?

### General considerations for direct to consumer methods:

- What type/level of inspection do the processing facilities around me have?
- How will I advertise my product?
- What is the quality of my meat?
- What additional licenses fees or selling fees do I need to pay?
- Do I have the storage needed?
- Is there demand in my area?
- You need to determine your costs to figure out pricing. People may not be willing to pay what you need to charge.

Regardless of whatever method is used, the key to success is to make plans in advance and mapping out steps that need to be taken along the way. Waiting until it's time to sell calves is too late!