Tennessee Value-Added Beef Entrepreneur Experiences
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Steve and Donna Ahearn, Double A Farm
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Ken and Lucy Drinnon, KLD Farm
Jill Hoover, Hoover Farm
Tina Johnson, Communications Specialist, UT Agricultural and Resource Economics
John Mitchell, Mitchell Family Farm
April Moore Massengill, Editor, UTIA Marketing and Communications
Craig and Wendi Niebruegge, Indian Brook Farm
Mary Puck, Independent Designer
Michael Rice, Claybrook Farms Meat Company
Brad and Tracy Smith, Three Forks Cattle Company
Dave Turner, Claybrook Farms Meat Company
Dwight and Charli Vaughan, Shady Branch Farm
Tennessee Value-Added Beef
Entrepreneur Experiences

Megan L. Bruch, Marketing Specialist
Center for Profitable Agriculture

Matthew D. Ernst, Independent Writer

Rob Holland, Director
Center for Profitable Agriculture

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Introduction

There is much to be learned by listening to the experiences of others. The following publication highlights experiences of nine Tennessee value-added beef producers in the start-up and operation of their enterprises. The entrepreneurs have generously shared their stories and lessons learned in order to help other producers better understand the challenges, risks and opportunities that exist in this industry. Each case study was initially developed and designed for individual use as a stand-alone document. They have been consolidated here as a single publication. We hope you find these stories to be educational and informative as you create experiences of your own.
Claybrook Farms Meat Company

Introduction

Claybrook Farms is a 200-cow Angus seedstock operation near Covington in Tipton County, Tennessee. The farm, started by Carl Turner in 1964, is now operated by Carl’s son, Dave Turner. In 2010, Dave was feeding and selling cattle not sold as seedstock to another local farmer, who was direct marketing meat to restaurants and consumers. Dave had 30 calves on feed for the farm when one of the other farm’s owners passed away suddenly and the meat marketing business closed. The market for his fed cattle was gone. Dave and his cousin, Michael Rice, discussed the possibility of going into the meat marketing business themselves, and the concept for Claybrook Farms Meat Company was born.

Dave hired Michael to begin developing a market for Claybrook Farms beef and recruited friend Randy Lock to think through business organization and logistics. Michael began calling on Memphis restaurants and making plans to sell at the downtown Memphis Farmers Market.
“People buying our beef know who fed, grew and took care of that cow until it got to their table. And they’re looking for that connection,” said Randy. Michael Rice said his transparent marketing message will not change, no matter how many cattle the company can sell.

Developing the Market

Dave Turner was no stranger to restaurants, as he operated a steakhouse for seven years. That experience gave Claybrook a unique advantage in understanding and accessing the restaurant market. Dave and Michael specifically selected 3-, 4- and 5-star restaurants run by chefs to target for their product. “Our price point is going to be higher than commodity beef,” said Michael. “So I knew [those] restaurants were going to be the places interested in what I had to offer.” He advises producers to approach chefs with total honesty and transparency about their farm’s production practices – and plenty of samples. “I wasn’t pushy,” he said. “A couple samples and chefs were ready to start chatting.”

According to Michael, focusing only on wholesale sales to restaurants would not make the operation profitable. “If we just focus on wholesale, we’re only just paying the bills,” said Michael. Restaurant sales will help cover expenses and build recognition with individual consumers in what Michael and Dave see as the more profitable retail market.

To develop the restaurant market, it is important to build a rapport with chefs. Chefs will often include the farm’s name on their menus and in advertising specials. “People see our name on a high-quality product they like in the restaurant, and that’s kind of pushed us into the retail market,” said Michael Rice.

Building the Brand

Consistent product quality is vital to building a brand. Claybrook Farms accomplishes that by using uniform cattle genetics, collecting ultrasound data on the cattle and using a single processing facility. All the beef sold by the meat company is Claybrook Farms genetics. Dave said, “It’s the traceability of the genetics and all the ultrasound work and data collected that tells us what kind of marbling and quality our beef will have.”

Michael keeps detailed records of every cut sold. “I keep a spreadsheet with feedback (from the chefs) on a per-animal basis,” said Michael. Michael also records feedback from their retail customers. “If you talk to the person who ate it, that’s the best feedback you can get,” he said. With that data, Dave can analyze
information about the animal’s genetics, the ribeye ultrasound and any comments from chefs. That helps link farm decisions with the growing meat company market. Michael Rice said the farm’s extensive genetics and performance data allow him to know exactly what kind of beef he can offer chefs and other customers. “The genetics help us talk about what cattle are coming at what time, what I should expect in terms of quality,” he said. “I think that helps separate our product.” The Claybrook Farms Meat Company brand has benefited from chef and consumer interest in local food. Using farm estate brands was one of the hottest trends among chefs in 2013, according to the National Restaurant Association, and consumers continue to show interest in local food.

Where They Are Today

In 2013, the meat company’s gross sales were 60 to 70 percent wholesale – supplying about 30 restaurants, hotels and hospitals – and 30 to 40 percent retail. The company retailed beef at the Memphis Farmers Market (downtown) and by direct delivery to Memphis consumers.

Dave feeds 70 percent of the cattle sold as Claybrook Farms Beef, and two area farms feed the rest. All cattle are kept on grass but supplemented at the feed bunk with the farm’s own haylage and grain, as well as some distiller’s grains. By late 2013, Claybrook was processing four cattle per week with a market ready for more. “Michael would love to be at five, but I just don’t have the cattle right now,” said Dave. As more of the farm’s calves are ready for feeding, Dave plans to add some more feeding areas at the edge of pasture and continue having other farms finish some of the cattle harvested for the meat company.

Planning for the Future

Claybrook Farms Meat Company was awarded a USDA Value Added Producer Grant in 2013. “This is going to allow us to grow the business without having borrowed capital,” said Randy, who spearheaded the meat company’s study. “It’s the traceability of the genetics and all the ultrasound work and data collected that tells us what kind of marbling and quality our beef will have.”
150-page grant application. The grant is allowing the farm to increase product volume by purchasing more cattle with Claybrook genetics from partner farms. The grant is also enabling them to increase advertising.

The Claybrook team will take a hard look at adding new value-added products such as jerky and all-beef hot dogs to their product line in the future. The farm may also eventually add other proteins, like pork and pastured poultry, to its brand. “Customers are looking for more selection,” said Dave.

They view the farm’s potential retail market as the Mid-South/Delta area – Memphis, northeast Arkansas, Missouri’s bootheel and northern Mississippi. Dave, Randy and Michael are sure the market is there. “People buying our beef know who fed, grew and took care of that cow until it got to their table. And they’re looking for that connection,” said Randy. Michael Rice said his transparent marketing message will not change, no matter how many cattle the company can sell. “I introduce them to our family’s product, and I invite the chefs out to the farm to see what we’re doing,” he said, “and once they try the product, they’re almost always coming back for more.”

Learn more about the Tennessee Value-Added Beef Program and the Center for Profitable Agriculture online at ag.tennessee.edu/cpa or by calling (931) 486-2777.

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Double A Farm

Introduction

Double A Farm is a 369-acre property near Coalmont in Grundy County, Tennessee owned by Steve and Donna Ahearn. Steve and Donna moved from Long Island, New York looking for “a total change in lifestyle” after operating a deli for many years. They purchased the farm in 2009 and also purchased 40 Longhorn cows from the farm’s renter.

Exploring the Value-Added Opportunity

Steve and Donna began marketing their Longhorn calves for use in rodeos. “We sold our Longhorn calves to Missouri for rodeo stock,” said Steve. “But when the bottom fell out of that rodeo market, I took some to the sale barn.” Steve was surprised and disappointed to find his calves sold for a far lower price than other calves at the local sale barn. He discovered that cattle with horns received lower prices and the colored Longhorn hides were also viewed unfavorably by buyers. “So I started looking at the freezer beef thing – because there’s no difference in the hides at that point,” said Steve. “When it’s on the plate, it’s either good or it’s not good.”

Steve recognized that beef with Longhorn genetics might appeal to health-conscious consumers. While final fat content is influenced by the animal’s actual genetic makeup and diet, research from Texas A&M reports...
a lower fat content and favorable cholesterol profile from Longhorn beef. Beef producers should be aware, however, that making any health claims about their product on their label or in marketing is regulated by federal agencies.

At first, he had some steers processed for himself, giving the meat to friends for their response. “Sometimes they’d tell me they liked it, but I wasn’t quite satisfied with it,” he said.

**Fine-tuning the Product**

Steve has used customer comments and his own rigorous evaluation to improve his beef. His first “customers,” his friends, told him the beef was not quite as tender as they wanted. He adjusted that by changing his finishing time, formerly two months, to four months. “My animals are grass-fed and grain-finished,” he said. “I don’t mislead anybody. It’s in my brochures – everything I talk about is grass-fed, grain-finished.” He said the grain-finishing results in a beef more to his, and his customers’, taste preferences.

Steve came to realize his Longhorns did not gain as quickly as other breeds, so he started crossing his Longhorns with a Braunvieh bull; those 50/50 heifers are now crossed with a Balancer. He is building his herd toward a goal of 100 cows. “The calves grow faster, and I can get beef ready quicker,” he said. He believes the ¼-Longhorn crosses still appeal to his health-conscious customers. “I still have that influence in there from my Longhorns, which is what I’m looking for. That’s my niche – that’s really what I want,” he said.

**Accessing the Market**

Steve started taking the beef directly to potential customers at the local farmers market at Tracy City in 2011. In 2013, about 40 percent of his sales were at the Tracy City farmers market, with another 10 percent sold from the farm. An online market, SewaneeLocallyGrown.net, brings another 30 to 40 percent. He also started selling at the downtown Murfreesboro farmers market in 2013.

Steve also offers customers the opportunity to buy a quarter, half or whole beef. Customers can pick the meat up at the farm or the processor.

Different markets demand a different pricing structure. “My pricing structure has been and probably always will be lower in Grundy County, simply due to the fact that the average family income is very low,” he said. He uses the local grocery beef price to guide his prices.

His customers, especially those buying at the Murfreesboro farmers market and online Sewanee markets, seem more
interested in potential health aspects from his Longhorn-cross beef. “There are some that want an all grass-fed [product],” he said, “and I point them to my competitor at the Murfreesboro market.” Steve does not give the animals used for beef any antibiotics or added hormones. “The customers look for that,” he said.

Steve’s total sales in 2013 equaled about 25 animals. “My personal goal would be 50 animals,” he said. “I got into this because I had Longhorns, what the sale barns considered an inferior product. Now, I’ve learned to raise cattle, and I enjoy what I’m doing. If I can make just a little over the sale barn with the value-added, I’m a happy man.”

**Keys to Success**

Steve, whose experience at his New York deli has helped him with direct marketing, provides several pieces of advice to producers considering marketing beef. Steve’s main advice was, “Don’t underestimate your expenses.” In addition to the time of selling at farmers markets, he said, there is the equipment cost. He spent between $3,000 and $4,000 on his trailer with coolers and approximately $10,000 for a

“My animals are grass-fed and grain-finished,” he said. “I don’t mislead anybody.”

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**By the Numbers**

Steve and Donna Ahearn’s goal for selling beef direct to the customer was to offset the discount their horned calves received at the sale barn. Weaned Longhorn calves could sell for $0.30 to $0.40 less than black calves. “My cost to raise that calf is approximately $300,” Steve said. “When I started, for a 700-lb Longhorn calf, I would get about $0.90 per pound, or $630 at the sale barn. A 700-lb Angus calf would bring about $230 more.”

Steve wanted to realize at least that $230 premium by feeding out the calf and selling it to the consumer. His first analysis looked like this:

<table>
<thead>
<tr>
<th>Cost of raising calf</th>
<th>$300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Longhorn calf at sale barn</td>
<td>$630</td>
</tr>
<tr>
<td>Difference between Longhorns and other calves</td>
<td>$230</td>
</tr>
<tr>
<td>Feed for finishing</td>
<td>$350</td>
</tr>
<tr>
<td>Processing</td>
<td>$350</td>
</tr>
<tr>
<td>Minimum total for beef sold direct</td>
<td>$1,860</td>
</tr>
</tbody>
</table>

His goal was to sell that animal for at least $1,900, hopefully realizing a few hundred dollars more to cover labor, transportation and other marketing costs.
Steve emphasizes that it is important to listen to your customers. Making sure to have enough of the cuts that are most likely to sell is also important. “You have to be able to manage your inventory,” he said, noting his skills gained from running a deli have helped tremendously in this area of the business.

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Dwight and Charli Vaughan

Introduction

Dwight Vaughan has raised cattle all his life near Murfreesboro in Rutherford County, Tennessee. He took over his dad’s small Polled Hereford herd in 2004, and today, he and wife Charli have a herd of about 20 cows, most of which are registered Polled Herefords. In 2006, Dwight and Charli began selling some animals to neighbors for custom-exempt processing.

Custom-exempt processing can only be done for the owner of the animal, and the meat produced cannot be sold. At times, a customer would be interested in purchasing a half interest in an animal, but there was not a customer to purchase the other half. The Vaughans would either have to forgo the sale or sell a half interest in the animal and have the other half processed for their own use. To help solve this problem, Dwight and Charli decided to go through the process to gain approval to retail meat.

The Vaughans received their Tennessee Retail Meat Sales Permit from the Tennessee Department of Agriculture (TDA) Regulatory Services* in November 2011 and began retailing beef in December of that year. In 2013, Dwight and Charli sold beef from eight cattle, making most of the sales from the farm on Friday and Saturday.
The On-Farm Facility

As part of the Retail Meat Sales permitting process, Tennessee beef producers must meet certain equipment and facility standards to be able to transport, store and sell beef from the farm. In 2011, Dwight Vaughan totally renovated a small wooden building on their farm for that purpose. “I asked TDA [Tennessee Department of Agriculture Regulatory Services*] to come out and tell me what I needed just to put two freezers in,” he said. “We basically gutted the whole building and started from scratch.”

Dwight learned that, in Tennessee, buildings where beef is stored for retail sale from the farm must meet several criteria. Facilities, equipment and processes are designed to prevent possible contamination. “It needed to have a concrete [or other smooth, easily cleanable surface] floor,” he said. Procedures must be in place to reduce or eliminate pests and rodents. TDA also recommends that the building be locked. This can help protect and secure the product from potential tampering or theft.

The building also needed to be wired to supply electricity for the freezers holding beef. The Vaughans have two freezers in their building, planning to add a third in 2014. Each freezer must have a thermometer to verify storage temperature. The Vaughans also put a porch light on the outside of the building, which is left on at all times. The light allows them to easily confirm that there is power to the freezers inside.

Once the building, equipment and processes used for storage and transport of the product pass initial inspection, a Retail Meat Sales Permit may be granted. The permit guidelines also require the animals to be processed under USDA inspection, then packaged and labeled at that USDA-inspected facility. The Vaughans’ beef is processed at a USDA-inspected facility about 25 miles away, and is properly labeled for retail sale, including safe-handling instructions.

TDA also requires a $50 fee for permitting. The Vaughans display copies of the inspection report and the permit to retail beef in the building, where their meat sales occur. The permit
must be renewed annually, and TDA inspectors can inspect the operation as often as they want. Establishing the relationship with the TDA inspector, said Dwight, was helpful as they decide whether to expand their value-added beef business to selling at a farmers market. “I will need to add another (portable) freezer, and that will also have to be inspected,” he said.

**Product Sale and Handling**

Word of the Vaughans’ beef sales spread through their community without advertising, except for a few signs pointing the way to the farm. Sales are by appointment. “The people just call me, usually on Saturdays and Sundays, and I make sure somebody’s here,” said Dwight. Customers usually buy enough beef for about a month, he said.

Steaks and roasts are most popular with the Vaughans’ customers. Ground beef sells less frequently but in larger quantities, and 90/10 (90 percent lean and 10 percent fat) ground beef sells better than 80/20. The only significant product change made in two years, said Dwight, was adding ground beef patties. He has also settled on having the processor cut steaks to 1-inch thick, except for filets, which are cut at a 1 ⅜-inch thickness. For a while he tried to have steaks cut at different thickness to please the desires of different customers, but found that to be a lot of extra work for himself and the processor. The 1-inch thickness works well for them, according to Dwight.

Dwight sets prices for his product by checking other local value-added beef marketers, setting a price between those prices and the grocery store. The steers receive some grain for the 90 days of feeding and, despite higher grain prices in 2013, Dwight held his retail beef prices steady. He expected to raise his beef prices if the price of fed cattle rises in the future.

The Vaughans still sell some live animals for custom exempt processing to customers as well. “For those, we charge 40 cents more than the local [live cattle] market,” Dwight said.

**Future Plans**

Since they started value-added beef marketing, the Vaughans have increased their cattle herd to about 40 animals, including cows, calves and animals being finished at any one time. They plan to market two days per week at the Rutherford County Farmers Market in Murfreesboro in the near future. This will require the purchase and inspection of some additional equipment, including a portable freezer setup.

*In December 2013, the name of the TDA Regulatory Services Division was changed to the Consumer and Industry Services Division.*
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Indian Brook Farm

Introduction

Craig and Wendi Niebruegge started selling beef direct to consumers from Indian Brook Farm near Blountville in Sullivan County, Tennessee, in 2005, upon moving from South Carolina. The farm has been in Wendi’s family since 1909. After developing a local market for their beef, produce and eggs at the local farmers market, they now sell all products direct from the farm and by delivery to consumers.

The Niebruegges sold meat from seven cattle direct to consumers in the greater Kingsport area in 2013, all from calves produced on their farm. With increased demand for their meat, they are growing their cow herd. They currently have 26 cows, which are often run with Wendi’s dad’s herd.

Connecting to the Customer

The Niebruegges believe that helping their customers feel a connection to the farm where food is being produced has been essential to their business growth. “Our customers feel like they have connected with the farmer, so they know the product,” said Wendi. Craig said that it is Wendi who fosters that connection. “Wendi provides an indirect service to our customers,” he said. “She talks to them and delivers the farm message and news.”
The most effective tool to deliver that message, through 2013, has been direct email. “We have a 190-person email list, so I might send out an email saying, ‘I’m picking green beans today and I have greens available…and don’t forget, I have beef in the freezer,” said Wendi. “It never fails that you send out an email and you get responses.”

As the farm’s customer base grows, Wendi expects that Facebook – and perhaps other social media tools – will become a bigger part of maintaining that farm-to-customer connection. “Customers like the story. They like what we’re doing; they have a relationship with us,” she said. “They like the fact that they can ask me about what I did out on the farm today, and they can look at pictures on my Facebook page.” Wendi also noted how easy it is for Facebook to reach people who may not be current customers, as the farm’s Facebook friends comment on and “Like” her posts. “If their [her Facebook friends’] settings allow, all their Facebook friends will see those comments,” she said. This generates a word-of-mouth effect.

Whether using email, social media or the person-to-person interaction that Wendi said is most important, honesty and transparency are essential for maintaining that farm-to-customer connection. “We are always honest with the customer – whatever they ask,” she said.

**Focus on Consumer Wants**

The Niebruegges have seen their customers demand their beef for two reasons: quality and production practices. Craig, who did not grow up on a farm, realized the farm-raised beef had potential when he tasted the meat on visits to Wendi’s family. He said he realized one day, “This is the best beef I’ve ever eaten.”

When they moved to Blountville, Wendi said she wanted to feed their children beef produced without antibiotics. As they grew their farm marketing and small cattle herd, they discovered plenty of friends and acquaintances interested in the same kind of beef. “People at church started asking us about it, then it spread to other people in the community,” said Wendi.
Niebruegges live in a subdivision adjacent to the farm that is easily accessible from a main road. Consequently, the Niebruegges now make many of their beef sales from freezers kept under roof beside their house. Wendi said she uses the time that she would have spent working in her farmers market booth to focus on production and direct delivery. “I could spend the same amount of time preparing for my deliveries, and it’s [the deliveries] all a guaranteed sale,” she said.

Pricing

Whether selling at farmers market or from the farm, pricing beef has always been a challenge, admitted Wendi. “Hands down, pricing is the hardest thing to do,” she said. While her beef has characteristics not available in beef at the local grocery store, she realizes the price point cannot shock her customers. “I have to at least see what the grocery store prices are,” she said. She compares prices at her local grocery store with prices at a high-end grocery or health food store in Kingsport to give herself a price range. “Then I ask myself how much are my customers willing to pay?” She also uses herself as the final “gut check” for pricing. “I ask myself, ‘Would I be willing to pay my prices?’” she said.

Wendi said she has grown in learning to keep track of the costs of producing their beef, which has helped her identify a profitable price point. Tracking costs of production and approaching the farm enterprise from a business management standpoint, she said, has been one of the areas where she has grown the most since starting to sell beef and other farm products for the family’s livelihood.

Looking Ahead

The Niebruegges filled three orders for bulk meat sales of half a beef each in 2013, the first meat they have not sold by the individual cut. Larger orders will probably result in a small change in their business practices. “People buying halves wanted to use PayPal,” said Wendi. “We’ll probably move to that for larger transactions.” They currently only accept cash and check for payment.

As they increase their production capacity, they see potential in selling to a small-volume wholesale market, perhaps a local restaurant.

“We asked ourselves, ‘How can we keep this farm a farm? How can we make it sustainable for the next generation?’” said Wendi. “We are just very blessed that we have been able to do that so far.”
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For now, the Niebruegges continue to serve their customers mainly with sales from their home, keeping to their dream of making a living from the family farm. “We asked ourselves, ‘How can we keep this farm a farm? How can we make it sustainable for the next generation?’” said Wendi. “We are just very blessed that we have been able to do that so far.”

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Jill Hoover Farm

Introduction

Jill Hoover and her husband purchased approximately 24 acres near Knoxville in Knox County, Tennessee, in 2009, and wanted to use the property for agricultural purposes. She decided to raise cattle and enrolled in the UT Master Beef Producer Program. Jill considered the different segments of the cattle industry that would fit her small acreage and goals for operation. She decided to purchase calves to finish on her farm and then market those animals to consumers for custom-exempt processing.

Marketing Live Animals to Consumers

Jill now has 15 acres of pasture and forage devoted to finishing steers she purchases as weaned calves from a local farm. She finished and sold six steers in 2013. The steers are all sold as live animals through private sale to customers and delivered to a USDA-inspected, custom-exempt processor. Farmers using this marketing method need to clearly communicate the product being sold is a live animal and not meat. Selling meat in Tennessee requires more regulatory involvement, including the need to obtain a Retail Meat Sales Permit from the Tennessee Department of Agriculture Regulatory Services*. Custom-exempt processing can only be done for the owners of the animal, and the meat is marked “not for sale.”
Selling live animals helps Jill keep things simple and reduces product-handling concerns. “We’re very specific in letting customers know that they’re buying a live animal,” she said. “We only sell the live animals, and shares of live animals, for custom processing.”

To accomplish the sale of a live animal, Jill prepares a detailed bill of sale for each customer. The bill of sale states which steer the customer is purchasing, including the animal’s eartag number, the weight of the animal and the date of purchase. It also states that Jill will deliver the animal to the processor for harvest. The customer is responsible for contacting the processor to provide processing instructions and to pay the processor directly for processing. Jill says, “I do offer to deliver the meat [from the processor to the customer] for an additional fee, but no one has taken me up on that.”

Catering to Customer Wants

Jill sells to about 12 customers annually, as most of her customers purchase half an interest in an animal. “They’re customers just like me,” said Jill, who was originally interested in raising beef for her family according to the USDA Agricultural Marketing Service’s definition of naturally raised beef.

The USDA definition of naturally raised states, “The naturally raised marketing claim standard states that livestock used for the production of meat and meat products have been raised entirely without growth promotants, antibiotics (except for ionophores used as coccidiostats for parasite control), and have never been fed animal by-products.” All her cattle are produced in accordance with those guidelines, and the cattle are mainly finished on hay and pasture with only a small amount of grain. Jill said she drives a bit further to source feed that is grown according to her and her customer’s personal preferences.

“My customers are obviously a little more affluent, where they can afford my pricing, because my pricing is at a premium,” she said. “They like the fact that we do not spray any of our pastures while the cattle are there,” she added. She uses a mixture of hot water, vinegar and concentrated...
lemon juice to control weeds in pastures where cattle are grazing. While such production practices do appeal to her customers, she said that is how she would be producing meat for her family anyway. She raises one steer each year for her own family’s use.

**A Whole Farm Plan, Fitting a Lifestyle**

For Jill, adding value to the beef produced on her property through specific production practices and sales to individual consumers helps her maintain her property as a farm. “If you just look at the cattle portion, it’s a profitable business,” she said. “Could we live off of it [the cattle business alone without additional income] with six head? Absolutely not.” She manages for forage quality, allowing her to minimize expense for purchased grain. She does pay a part-time farm hand to provide some additional labor. He has also completed the UT Master Beef Course.

Selling live animals to consumers for custom-exempt processing allows Jill Hoover to produce a product for which customers are willing to pay a premium, in a way that avoids the regulations and the time required to retail meat. She can then focus on what she enjoys most – raising cattle on her family’s property. She thinks the market is there if she wanted to expand the number of cattle she produces, but that is not her goal. “Right now, the reasons for doing this are the enjoyment, to supply my family with beef and (supply) my customers who have been so loyal to me,” she said.

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In December 2013, the name of the TDA Regulatory Services Division was changed to the Consumer and Industry Services Division.

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**Selling live animals to consumers for custom-exempt processing allows Jill Hoover to produce a product for which customers are willing to pay a premium, in a way that avoids the regulations and the time required to retail meat.**

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KLD Farm

Introduction

Ken and Lucy Drinnon started raising cattle at KLD farm about 20 years ago upon Ken’s retirement and their move back to his home state of Tennessee. Their 85-acre farm, plus additional leased pasture, supports a 40-cow herd and the ability to finish about 75 calves per year. The farm is located near Ashland City in Cheatham County.

Ken developed and maintains an active market selling finished cattle to a local butcher shop, which then has the animals harvested and processed under USDA inspection. In the beginning, he also sold live animals to individuals, who then had the cattle processed at a USDA custom-exempt processing facility. (USDA custom-exempt processing can only be done for the owner of the animal, and the meat cannot be sold.) To try adding more value from his production than he was earning from selling feeder and market cattle, Ken started selling retail beef cuts at the Nashville Farmers Market in 2012. Now, all of Ken’s finished cattle are harvested and processed under USDA inspection.
The Relationship Business

Ken believes it is important for a producer interested in direct marketing beef to enjoy building relationships with the customers. “You have to listen to your customers and what they want if you’re going to make it with the value-added [beef],” said Ken. “It is a lot more work than meets the eye.”

Ken explained, “The people are, for the most part, pleasant and enjoyable to deal with. I like that.” There may also be challenging customers. “I had a bad check for about $300 right when I started,” he said. “So now I only take checks from people I know.”

In addition to building relationships with customers, there are also contacts at the farmers market, with managers and other vendors. Building those relationships can be especially important in some markets where vendor space is either limited or competitive. Ken’s acquaintance with the previous manager of the Nashville Farmers Market helped him enter the market as a vendor. Persistence can help. “I bugged him [the market manager] a little bit and was able to get in,” Ken said.

Beef producers who can demonstrate they have a steady product inventory, have fulfilled all the necessary requirements and regulations for retailing direct to the consumer and who have the required refrigeration equipment can help promote their case for entering larger farmers markets.

Marketing Costs

Selling cattle to the butcher shop and making bulk meat sales to individual consumers amounting to a whole, half or quarter of a beef at a time both involve less marketing and management than retailing individual cuts at the farmers market, according to Ken. “It is a whole lot easier to estimate your costs when you’re selling whole animals or in bulk,” he said.

Ken has found it important to keep close track of the costs of selling at the farmers market. Some producers, he said, may be lulled into thinking higher farmers market prices automatically translate into more profits. “With the farmers market, there are a lot of costs that don’t pop right out at you,” he said. “The fuel costs can eat you up. There is also the cost of the farmers market [membership or...
Vendor fees for local farms at the Nashville Farmers Market in 2013 were $40 to $50 per day on Saturday and Sunday. Product loss, what is generally called “shrink” in the world of food retail, is another cost. Meat can shift in transit, sometimes puncturing packages. “You can also get damaged packages, where the seals come loose,” said Ken. Those packages are not saleable.

Ken has also learned about the cost of the time required to manage inventory. “You’re having to constantly run specials to keep your inventory adjusted,” he said. “Farmers market is not as profitable as the (higher) prices might first look.”

**Pricing**

Ken said pricing is a challenge. It is important to calculate all costs, including the costs of raising the calf, feed, processing, transportation and marketing. He also advised checking prices for comparable products. “I just studied websites of other people who were doing it for their prices when I started,” he said.

Prices are never going to stay the same, he said. “If you’re selling out of something too quickly, it allows you the luxury of increasing the price a little,” he said. “If it’s not selling, you have to adjust it down a little or run a special on it.” He runs seasonal specials and also offers volume purchase discounts.

Frequently changing prices even affected how Ken chose his website designer. It was essential for him to be able to change his pricing information on the website. “It seemed like a lot of the companies wanted you to have them make all the changes to the website,” he said. “I made it clear before I signed the contract that I would be able to make changes after the website was done.” He said the designer did a good job providing him written instructions with how to make changes.

**Using Available Resources**

Ken tapped cost-share funds available from the Tennessee Agricultural Enhancement Program (TAEP) for Producer Diversification to help develop his website. That program also helped him purchase a walk-in freezer for storing beef inventory at the farm. “The walk-in makes a real difference,” he said. He stocks his stand at the Nashville Farmers Market with freezers on wheels, designed to roll in and out of his cargo trailer, secured by straps to the sides. Like other value-added beef marketers in Tennessee, his freezers are inspected by the Tennessee Department of Agriculture Regulatory Services as part of the Retail Meat Sales permitting process.
Moving Forward

In 2013, Ken’s sales were diversified among cattle sales to the butcher shop; bulk meat sales of a quarter, half or whole beef to consumers; and sales of individual cuts to consumers. The butcher shop remained an important part of his revenue, accounting for about 60 percent of his sales from the 50 cattle he finished in 2013. Bulk meat sales to individual customers contributed another 10 to 15 percent to total sales.

As he looks to the future, Ken hopes to continue to increase sales of his beef. He is also thinking about adding pork to his meat offerings at the farmers market. “I won’t raise the pigs. I have found some other local farmers who raise pigs that I can purchase from,” he said. According to 2013 Tennessee regulations, his meat sales can continue to be exempt from sales tax if more than half his sales are from products he has raised and the remaining sales are from products he purchases from the farmer who raises them. “That would be the biggest change I would anticipate, adding another product at the farmers market,” he said. “I have had to direct people who want pork to my competitor – then not only do I lose the pork sale, I also lose the beef sale.”

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Learn more about the Tennessee Value-Added Beef Program and the Center for Profitable Agriculture online at ag.tennessee.edu/CPA or by calling (931) 486-2777.
Mitchell Family Farm

Introduction

John Mitchell sold his last milk cows in 2012, a final step in a long transition from dairying. Mitchell Family Farm near Blaine in Grainger County, Tennessee, now sells beef from dairy steers direct to consumers at farmers markets in Knoxville and to two Knoxville grocery stores. In 2013, the farm gained another, larger wholesale account with a Knoxville restaurant, supplying about 800 pounds of ground beef per week. John and Lorie Mitchell and their family continue to focus on building the market for their beef at farmers markets and to restaurants and grocery stores.

Lessons Learned at the Farmers Market

Mitchell Family Farm started direct marketing beef, finished on the farm's grain, at local farmers markets. The farm sold about 15 head in 2008, the first year at the market. That number reached 20 head in 2012. To move that amount, the Mitchells sold at as many as three farmers markets. “That was when we were still milking cows, and I had to cut back [on the number of farmers markets they attended],” said John. He only attended one farmers market in 2013, the New Harvest Park Market in East Knoxville. That market is about 20 miles from the farm, the nearest of the Knoxville markets.
From that experience, John learned that a farmer has to be able to take time away from the farm or be able to hire someone to represent the farm at the market. Now that he does not have to milk cows, John may consider taking on a second market after 2013. If he does, he will remember another lesson learned – patience is a virtue to becoming an established farmers market vendor. “When you start going to a farmers market, people kind of get to know you. The first year’s kind of a feeling-out year for the customers,” said John. “Our sales [at their current market] have more than doubled since the first year,” he said.

Profitability is a main reason he has continued to sell at the farmers market, even while volume in other outlets for his meat has increased. John feels that profitability results from a higher price point received at the farmers market relative to wholesale prices. “We priced ours at half of what [two online steak companies] priced theirs for, and wondered if we could ever sell any at that price,” he said. “And so far, it’s done pretty well.” At the time of publication, they retailed New York strips, ribeyes and filets at $13, $15, and $17 per pound, respectively; ground beef retails for $4.50 per pound. They sold around 20 pounds of hamburger and a couple dozen steaks per week.

The other factor affecting profitability for the Mitchells is that they raise nearly all the feed provided to finish the steers. “If you can eliminate one or two of the middlemen, that gives you a bigger slice of the pie. And raising my own corn really helps,” said John, who figured he grew corn far more cheaply than purchase prices in 2012 and early 2013. The dairy steers eat ground, whole-cob corn with a bit of added protein, which produces a ration reaching about 12 percent crude protein.

**Understanding the Value of Wholesale Markets**

Mitchell Family Farm has supplied squirrel corn (packaged ear corn to feed squirrels) to Knoxville area grocery stores for years. The relationship John had with one of those stores helped him land the farm’s first wholesale beef account. “I asked the manager [who was carrying their squirrel corn] if they would be interested in our beef, and they were,” he said.
Although the wholesale price received is significantly less than the retail price, John saw it was still worthwhile to pursue that market because of the volume of product that could be sold. He did not make as much per pound, but he could deliver far more product with far less time involved, reducing marketing costs compared to the farmers market.

The availability of Mitchell Family Farm’s beef in the Knoxville grocery market helped open the door to selling direct to a restaurant, which now buys 800 pounds of hamburger per week. “It has taken us from one steer every three or four weeks [supplying the farmers market and grocery stores], to two steers per week,” said John. The quality of the hamburger, which uses all cuts except the loin, is what attracted the restaurant to their farm’s beef, he said.

The restaurant John started supplying in August 2013 has a very small kitchen and freezer for product storage. That required John to deliver product to them twice a week. The Mitchell’s USDA-inspected processor is 70 miles from the farm, so John relies on backhauls to minimize travel expenses. “I haul two steers to the processor and pick up hamburger for delivery [to the restaurant],” said John. “You have to be able to combine that trip [to save on expenses],” he explained.

Looking Ahead
Since he sold his milk cow herd, John has relied even more on sourcing steers from two graded dairy steer sales in Athens and Sweetwater. He buys steers for finishing at 1,000 pounds, feeding them up to 1,500. “So far we’ve had good luck getting all the big steers we need to finish,” he said.
He also backgrounds a couple trailer loads of dairy steers per year. He kept some backgrounded steers for the finishing program in 2013. Feeding his own corn means he is able to expand the number of cattle fed, if needed.

In addition to adding a second farmers market in 2014, John Mitchell said he might consider more wholesale production for his “whole-steer” ground beef for outlets in the Knoxville area. “I have the corn, and we’ve learned what we need to do to finish more cattle,” he said. It is the latest way that this former dairyman is transitioning to value-added production. “We’ve always tried to diversify. We had to contend with the ups and downs of dairying forever,” he said. Adding value to beef from dairy steers has seemed to smooth out those ups and downs.

“We’ve always tried to diversify. We had to contend with the ups and downs of dairying forever,” he said.
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Tennessee Grass Fed Farm

Introduction

Tennessee Grass Fed Farm sells beef directly to consumers in Montgomery, Cheatham, Davidson, Williamson and Rutherford counties. The business started as Phil and Kathy Baggett decided to transition the two century farms they owned from row crop production to pasture to produce 100 percent grass-fed beef for local sale. They started selling at the Downtown Clarksville Farmers Market in 2011, adding the Murfreesboro Main Street Market in 2012. Partnering with a neighboring cattle farm, which provides most of the production management until harvest, allowed Phil to more rapidly increase capacity beyond just his farm. This partnership has also allowed Phil, a successful business executive and entrepreneur, to exercise his own strengths to build an end-customer-focused business and grow the market.

Concentrating on the End Consumer

Focusing on farmers market sales allowed the Baggetts to pursue their strategy of selling the product directly to the end consumer. “I’m more and more convinced that the individual retail account is very valuable,” Phil said. By personally staffing both farmers market stands from the beginning, Phil

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and Kathy were able to hear what is important to their customers. “You listen to what your consumers say, and you adjust your program to meet their requirements,” advised Phil. The new venture has built a list of more than 1,600 farmers market customers.

His customer service principle is simple – the customer is always right. “Regardless of who caused the problem, you fix it,” he said. “It’s cheaper in the long run. Word gets around.”

Phil has learned that his customers value most the facts that his beef is both local and produced without the use of added hormones and antibiotics. The farm’s system produces an entirely grass-fed product. Phil believes 100 percent grass-fed is the next most important characteristic to his customers, and he sees future growth potential for that niche. “What seems to be gaining customer acceptance is beef from animals that have not had any corn in their diet,” he notes. The farm also complements its beef by offering pork produced in partnership with John David Wilhelm and free-range chickens purchased from other local farmers.

Listening to his customers has helped Phil make adjustments in production and processing methods to provide a more desirable product. “My customers generally want leaner cuts and smaller portions,” he said. He targets a 12-ounce size on New York strip and ribeye steaks and slightly larger on sirloin steaks. Although the meat is not given a USDA Quality Grade at the time of harvest, a trained USDA grader has evaluated several carcasses in the past and determined they would likely receive grades between High Select and Low Choice. To help reach his production goals for smaller cuts and leaner meat, the farm feeds and harvests heifers only.

To keep up with consumer demand, the farm has to stay in close communication with its processor, who also has insight on the preferences of end consumers. Phil said it is hard to overstate the impact of the farmer-processor relationship on the quality of the final product and the customer’s impression of that product. “Ask the processor for suggestions and give frank feedback, while remembering every animal is different,” he advised. He also

“We’d like to continue to grow the business, first of all with our own cattle, but then perhaps have some people who grow for us on contract as well,” according to Phil.
recommends taking advice from processors about product seasonality – more roasts and stew meat in the winter, more kabobs and ribs in the summer. “Processors can give you good advice on changes to make throughout the year,” he said.

Selling at farmers markets also allows the Baggetts to meet their customers and receive face-to-face feedback on their products. But Phil said that they have to take the initiative to maintain customer relationships. Through 2013, he has relied on a website and direct email to communicate. The farm maintains an email address list of every customer who has purchased at the farmers markets. Customers receive a short newsletter promoting specials almost every week. The Baggetts also maintain a Facebook page for the farm.

Finally, Phil has found it important for his customers to be able to access the farm where the cattle are raised. “Many customers want to come to the farm and see the animals,” he said. “If you can accommodate this request, the payoff in loyalty and word-of-mouth referrals is tremendous.”

The farm offers tours to those who request in advance. The farm has also partnered with Montgomery County schools and UT Extension to provide high school students a view of the importance of science and technology in agriculture.

Making Buying Easy

Online transactions accounted for about 15 percent of the farm’s sales in 2013. The Baggetts see this as a growth area. “Our customers are Internet-savvy,” Phil said. Making the product available online makes the product purchase easier for that kind of consumer. “A good website, with the ability to both buy and pay online, is critical,” said Phil. Customers have the option of picking up their order at the two farmers markets, at the farm store (open six hours per week in 2013) or at other local pickup points.

It is important to be able to take electronic payments, Phil said, whether online, at the farmers market or at the on-farm store. “You need to be able to process credit cards almost anywhere and anytime,” he said. The farm uses a mobile credit card processor that provides transaction details. In the future, Phil plans to integrate the system with his accounting software, to avoid double entry.

Efforts to extend sales past the local farmers market season are important to increasing overall annual sales, said Phil. The farm formed its own “winter market” in Clarksville, which is held in a fitness center. In Murfreesboro, the farm has been a part of a small indoor market held in a mixed-use commercial/residential property after the downtown market season ended in October.

Looking Ahead

The Baggetts see the local market continuing to grow for their grass-fed beef. They harvested 57 cattle in 2012, doubling that amount in 2013. They will be increasing the
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Programs in agriculture and natural resources, 4-H youth development, family and consumer sciences, and resource development. University of Tennessee Institute of Agriculture, U.S. Department of Agriculture and county governments cooperating. UT Extension provides equal opportunities in programs and employment.
Three Forks Cattle Company

Introduction

Three Forks Cattle Company, headquartered near Pall Mall in Fentress County, Tennessee, markets beef from a 20-cow registered Salers herd owned by Brad and Tracy Smith. They started raising Salers cattle for seedstock sales in 2003. As the herd expanded, they moved toward selling their beef direct to consumers. Approved to retail beef for direct sale in 2009, they sell at the Market Square Farmers Market in Knoxville and to members of their local community. They also wholesale beef to a specialty grocer in Knoxville.

Approval for Retail

In Tennessee, farmers must obtain a Retail Meat Sales Permit from the Tennessee Department of Agriculture (TDA) Regulatory Services in order to sell meat to consumers. To obtain the permit, the Smiths completed an application and paid a $50 annual fee. Before a permit is granted, TDA staff inspect equipment and facilities that will store or transport the meat.

Brad said the inspection guidelines were clear. “We’ve had a good relationship with the inspector and have had no problems with state inspection,” he said. Developing a professional and cordial relationship with the appropriate inspectors and regulatory
agencies, whether at the local, state or federal level, is advisable for farms engaging in value-added beef marketing.

Other approvals required to sell beef direct include approval of packaging and labeling. Beef from Three Forks Farm is processed at a USDA-inspected facility, which packages and labels the cuts. “We designed our own label following the USDA’s guidelines,” said Brad, who has the labels professionally printed to ensure that the labels will stand up to handling and freezing. Brad and Tracy also include a “Pick Tennessee Products” logo sticker on each cut. The Pick Tennessee Products promotion program is administered by the TDA Market Development. Special claims made on labels or in other marketing materials require special approval by USDA.

The Smiths follow the USDA guidelines for naturally raised beef, and they provide an affidavit form to the USDA inspector when each steer is delivered to the processor. That form states that the animal is owned by the Smiths and that they have not used any antibiotics or added hormones or steroids during production.

The USDA also requires safe-handling instructions on each package of meat labeled for retail sale. Those instructions are placed on the package by the processor.

Lessons Learned at the Farmers Market
Sales at the Market Square Farmers Market made up about three-fourths of their beef sales in 2013. The first months of the farmers market each year, which runs from May through December, are the busiest. The start of the market requires a full inventory, he said.

“The start of the market requires a full inventory, because it's been several months since the market has been open,” advised Brad.

The Smiths have also learned that some cuts sell better than others at the farmers market. Brad said he has found less demand at his market for sirloin steaks, cubed steak, stew meat and chuck roast. Demand also changes with the season. Brad has noted relatively more requests for stew meat and chuck roast demand in winter months. The Smiths spur demand for various cuts by providing customers with recipes.

“Our customers like to know that it’s [their beef] been born on our place, know that we’ve taken care of it, and we’ve had it processed and delivered to them,” he said.

Accessing the Wholesale Market
Three Forks Cattle Company expanded to selling to a specialty grocery store in Knoxville. “We were in Knoxville at a meeting for direct marketing beef with the Center for Profitable Agriculture in 2010,” said Brad. At that meeting, the Smiths met the person in charge of buying meat for the store. Afterward, they
continued talking with the store representative about handling their beef and worked out delivery and pricing. The Smiths stress that good communication is important to cultivate that farm-to-grocery relationship.

The Smiths are responsible for delivering their beef to the store. To offset some of the delivery expense, they add a small fuel surcharge for delivery to the wholesale price received. “It’s not large [referring to the surcharge], but it helps,” said Brad.

The grocery store also requests some of the beef to be fresh rather than frozen. The Smiths pass that request along to the processor, delivering those fresh cuts with the grocery’s other orders. The product label was also changed to read “Keep Refrigerated” rather than “Keep Frozen.”

The Smiths learned they needed to register with USDA as a meat handler in order to make wholesale sales. The process was simple, requiring completion and submittal of a one-page form – FSIS Form 5020-1, Registration of Meat and Poultry Handlers. There was no fee to register. Once the form is processed by USDA, the producer is sent a registration number. Meat handlers can be subject to an on-site inspection by a federal inspector, who will review the meat handler’s facilities and food-safety practices.

Looking Ahead

The farm’s sales volume has been about the same since they began selling at the farmers market in 2010 because of the number of cattle available. “We harvested seven head in 2013,” said Brad. Brad, a technician for a large poultry integrator, said their farm plans to begin raising pastured broilers and process them on-farm, allowing them to offer locally raised chicken along with beef at the farmers market in 2014. He also said the grocery store is excited about the possibility of being able to purchase chicken from them.

Adding chicken to the farm’s production will require meeting additional regulations and requirements outlined by the USDA for on-farm poultry processing. Retail meat sales guidelines from the Tennessee Department of Agriculture also require poultry meat be stored separately from beef and other meat to protect food safety.

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