

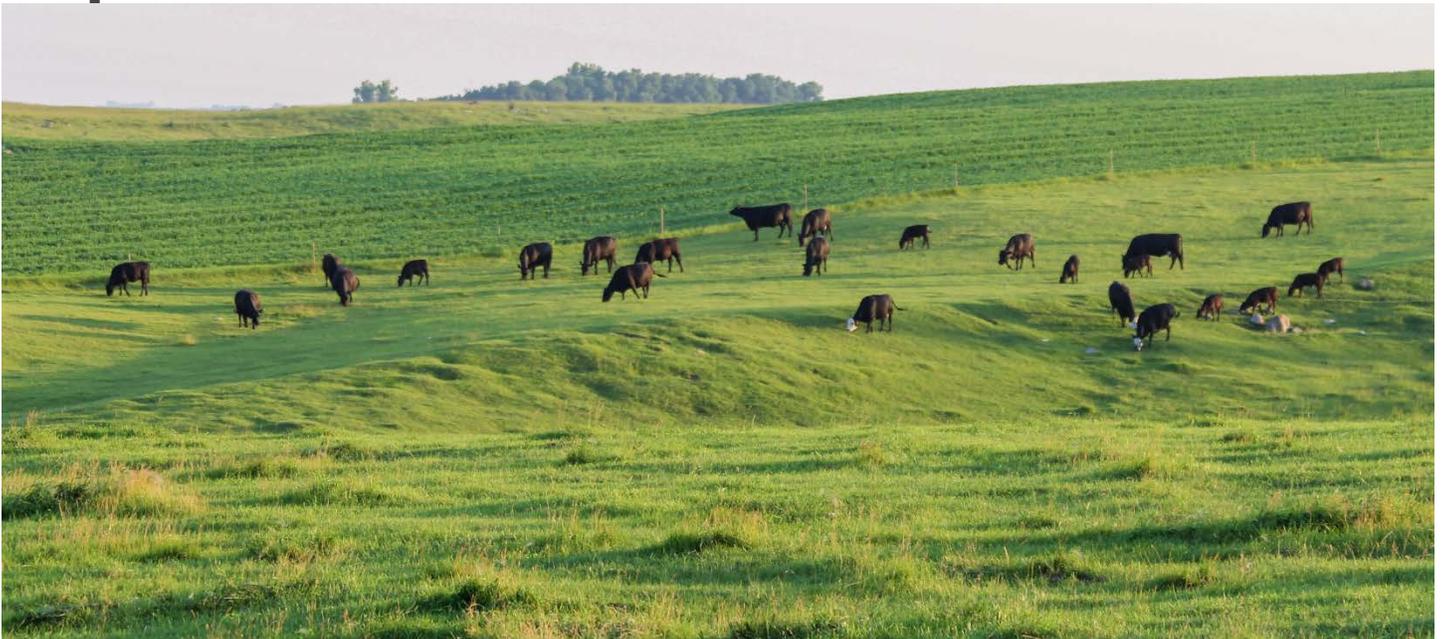
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Locally Produced Beef and Coronavirus Impacts



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The Coronavirus has had major impacts to the beef supply, as well as other meats in this country since mid-March. Short-term demand for beef has increased, but major bottlenecks in processing have limited supply and have generally had negative impacts on the conventional beef industry. Unlike the conventional beef segment, Kentucky beef producers who process and market their own meats locally have seen mostly positive changes. The rest of this article describes these changes, helps cattle farmers determine if selling locally finished beef might work for them, and looks at possible long-term changes related to locally supplied beef.

Current Situation for Local Beef Suppliers:

The coronavirus and the fear of potential food shortages created opportunities for locally finished beef. The main driving force has been increased demand. Part of this increase is due to the short-term supply disruption in the conventional beef industry due to processing bottlenecks, and short-term hoarding by customers: less conventional-produced beef was available and consumers looked to alternative sources. However, a large part of this is also likely due to people wanting to have a more intimate connection to their food: knowing where their beef comes from and knowing that a supply disruption at the national-level will not affect them.

Debbie Apple at River Cottage Farm in Rockfield Kentucky (northwest of Bowling Green) began to see demand increase in the second week of March when their sales doubled. Sales doubled again by the third week in March and stayed near that level until the fourth week of May. Sales slowly decreased over the next two weeks but have settled at double their normal sales. Debbie believes most of her new customers are people who have always wanted to purchase locally and organic-ish type meat but for different reasons never quite made the commitment. She believes most were previously purchasing their meats from places like Whole Foods and Trader Joes.

Debbie and her son Braiden sell mostly by the piece and in bundles, so generally have a large meat supply on hand to sell year-round. Suppliers like River Cottage Farm rely on a large capacity of freezer space to be able to supply year-round. Many other producers however, sell mostly in bulk by the quarters or halves of the animals they process. This is typically referred to as “freezer beef”. They market most, if not all, of their beef when the animals are processed. Unless these producers were lucky enough to have animals ready to take to the processor in early spring, they probably have not been able to take advantage of the increase in consumer demand. As an example, I (along with my colleague Kenny Burdine) finish around 20 steers per year on pasture in southern Woodford County, but all these steers are either marketed as freezer beef (sold in quarters, halves, and wholes), or sold wholesale to a partner who markets under his brand. Our first set of steers for this year went to the processor on June 24th, well after the surge in increased demand occurred.



Josh and Melissa Ballard at Bluegrass Beef in Shelbyville Kentucky (east of Louisville) also saw a significant increase in demand. They had approximately three steers worth of beef in the freezer that they were originally holding for the beginning of the farmers market in the spring but due to increased demand, sold all of it one week in March. They quickly sold everything else they had in stock and had to wait until April when they had additional steers scheduled for processing. Their year to date sales have increased over \$20,000.

On the other hand, direct marketers who sell mostly to restaurants have been hurt by the Coronavirus. Joe Weber, also known as “Farmer Joe” of Salvisa Kentucky (southwest of Lexington) supplies a number of restaurants in the Lexington and Louisville markets and sales at these establishments dried up overnight in March. He also supplies a small local University with beef and when in-person classes were cancelled, so were his beef orders for the rest of the semester. On the

flip side, he also supplies local grocery stores and direct markets to individuals. Luckily these sales have increased dramatically, similar to River Cottage Farm and Bluegrass Beef. Thus the impacts of the Coronavirus vary quite a bit by marketing method.

Processing Bottleneck:

While in general, demand has increased significantly in the last few months for locally produced beef, a processing bottleneck has prevented many Kentucky farmers from taking advantage of this increased demand. There are two main reasons for this processing bottleneck: 1) More farmers wanting to process animals due to the increased demand, and 2) Operational slow-downs at the processing facilities due to social distancing and worker-related problems.

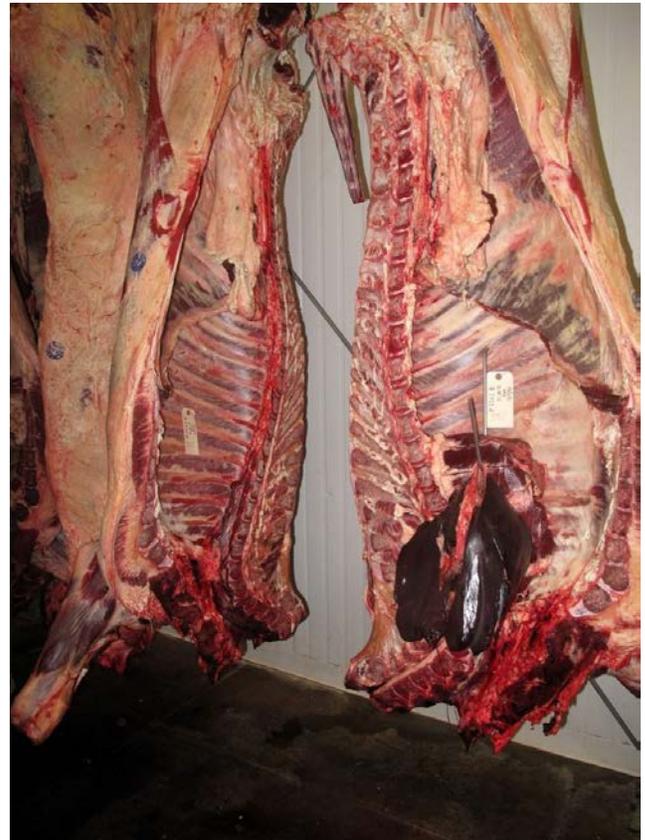
Current local beef suppliers are trying to schedule earlier harvests than they originally planned to take advantage of the consumer surge in demand. In addition, many conventional beef producers who would typically not process animals are trying to get into the locally finished beef segment to also take advantage of the increase in demand. Many from this group are using cull-cows to do this.

More producers trying to schedule beef processing would by itself lead to longer lead-times to get animals processed. However, that combined with the operational slow-downs has led to a dramatic increase in processing lead-times. Most of the reports in Kentucky for USDA inspected establishments are a minimum of 6-10 months to schedule a processing appointment. I have heard of farmers who had appointments that were cancelled or pushed back by their processors, in some cases because processors were trying to fill increased demand in their retail shops. In addition, some processors are offering fewer processing options so that they can process animals quicker.

When will processing get back to normal? There are many different thoughts on this but I would say best-case scenario will be the summer of 2021. I hope I am wrong on this, but producers need to have contingency plans in place for continued problems in scheduling processing.

Considerations Before Selling Finished Beef:

Many conventional producers are trying to enter the locally finished beef market. However, there are quite a few of these producers that probably haven't thought through two important issues: 1) Will I actually



make a profit? 2) Will my current farm insurance policy cover this?

Most people I have talked to are being overly optimistic that this will work for them, even with cull-cows that they will not have an additional finishing period. Many of these folks have no idea how much extra time it will take dealing with processing and dealing with customers. They do not consider all the potential problems that might occur such as packages that are not sealed correctly, customers who back out at the last minute, and customers who do not pay. Selling calves at the stockyards is a one-and-done transaction. Not so with selling finished beef. My best advice is to start small to find out what you are actually getting yourself into. Those that are going to finish-out growing stock need to consider the extra time and expenses of doing this, as well as the significant change in management that will be necessary to do this well. The following publication will help producers getting started on the production side of producing finished beef: <http://www2.ca.uky.edu/agcomm/pubs/ID/ID224/ID224.pdf>

The following worksheet will help people think through all their costs and help estimate their potential profit: <http://agecon.ca.uky.edu/files/beefpasturefinishing.xlsx>

One of the biggest mistakes I see would-be producers make is to assume their current farm insurance policy will cover them if they sell finished beef. Most farm insurance policies do not cover what is considered a “processed product”, packaged beef being one of those. If you are processing the animal and selling it afterwards, you will likely not be covered by your base insurance policy. To get around this, many producers sell a “portion” of an animal before processing. There is a fair amount of grey area surrounding these distinctions, and you should contact your insurance agent to make sure you will be covered if you are considering this.

Long-Term Changes:

Most of the local-beef producers I have spoken to believe that much of the increase in consumer demand will be short-term phenomena. However, most also believe that there will be a fair amount of long-term increased demand. River Cottage Farm, Bluegrass Beef, and Farmer Joe all believe some of their new customers will become permanent long-term customers. The virus has likely spooked some people into wanting to have freezer full of meat rather than living hand-to-mouth with the grocery store.

My guess is most of the new producers who are taking up processing capacity will only be in this for the short-run. Finishing cattle is a long-term commitment. Pasture finishing typically requires around 1.5 years after weaning, and the short-term impacts from the Coronavirus will hopefully be over far before that time-period is up.

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