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SUPPLYING LOCAL AND REGIONAL MARKETS:

CHALLENGES AND SOLUTIONS FOR
THE MICHIGAN-BASED MEAT AND
LIVESTOCK VALUE CHAINS



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► INTRODUCTION

The Michigan State University Center for Regional Food Systems Livestock Work Group convened a group of Michigan meat and livestock stakeholders on February 7, 2013, to identify challenges associated with producing, processing, marketing and buying Michigan-sourced meat and livestock within the state and regionally.

The 23 stakeholders present at the meeting represented producers, processors, distributors, wholesale markets and consumer groups. Another objective for holding the meeting was to identify potential solutions to challenges facing the livestock and meat industries as they look to take advantage of growing demand in local and regional markets for Michigan-sourced meat and livestock-based products.

The meeting agenda was designed to build on existing Michigan State University (MSU) beef supply chain efforts and provide the MSU Center for Regional Food Systems (CRFS) Livestock Work Group with a vision for developing specific research, education and outreach agendas for building a more sustainable and thriving regional livestock and meat value chain in Michigan. We use the term “value chain” because the overall goal is to bring more value to all participants in the meat supply chain, from producers to consumers. Stevenson and Pirog (2008) described value chains as “values-based strategic business partnerships featuring mid-scale agri-food enterprises that create and distribute responsibilities and rewards equitably across the chain.”

This document highlights the challenges identified by stakeholders at the meeting, discusses potential opportunities suggested by the stakeholders to improve the system, and presents a vision on which the CRFS Livestock Work Group will model its research, education and outreach activities to help strengthen partnerships across the value chain.

THE CHALLENGES

A number of constraints restricting business development and expansion exist within the regional meat and livestock value chain. These limitations have been categorized to capture the main issues identified by value chain participants who attended the meeting.

Supply

Consistently supplying the value chain year-round with high quality meat has proved challenging for smaller local and regional producers and processors because their supply varies depending on the time of the year. They have large amounts of product available at certain times and little to no product available at other times of the year.

A number of additional factors compound the challenges faced by small producers, processors and distributors in consistently supplying the value chain with locally produced livestock and meat. The types of markets these producers sell to may not need or be able to use the whole carcass, even though value chain participants must rely on being able to utilize the whole carcass to be profitable. Small livestock producers often have to travel long distances to the processor. For this to be cost-effective, they must make as few trips as possible with a full load of livestock each trip.

Another challenge is ensuring that both small processors and buyers are supplied throughout the year with a sufficient, steady volume of animal product that consistently meets quality requirements. Having a steady supply of livestock is especially important for the processing industry, which typically is oversupplied at certain times of the year and is unable to keep staff fully employed with less product flow at other times.

Regulations

Navigating and interpreting food safety regulations is a challenge for all sectors of the meat supply chain. The processors at the meeting identified this issue as a particular problem. In Michigan, there are currently 29 USDA-inspected slaughter and processing plants and a number of custom exempt meat processors (processors who only process meat for the owner of the animal and



not for resale do not need to be inspected) (U.S. Department of Agriculture, 2012). Michigan is one of 23 states that currently do not have a state meat inspection program (Schweihofer & Reau, 2012). Some stakeholders identified the need for Michigan to have a state meat inspection program and/or creating a system whereby profitable small plants could be federally inspected. Processors in locations offering a state meat inspection program are eligible to participate in the Cooperative Interstate Shipping Program. Stakeholders held the opinion that states offering a state meat inspection program, such as Ohio, have a competitive advantage over Michigan because they can sell Ohio-raised meat across state lines through the Cooperative Interstate Shipment Program.

Market Value

The bioenergy industry is now demanding field crops once traditionally raised for livestock feed (hay, soy and corn). This competition for feed crops has resulted in higher prices and presents real challenges to being able to raise livestock for profit. Higher crop prices lead to higher production costs and a subsequent increase in the cost of meat to the consumer. Restaurant industry leaders informed the group that demand for “local” or “regional” product is somewhat limited right now among consumers because they have yet to develop an appreciation for the higher-priced locally produced meat. They explained that in the Michigan restaurant trade (aside from higher-priced independently owned eateries), the sale of locally produced meat and poultry is very dependent on price. Though price is a major issue, national consumer trends suggest 60% of consumers are consciously trying to buy locally

produced food, according to a BrandSpark International and *Better Homes and Gardens* study (PR Newswire, 2011). There also is a growing demand for grass-fed beef, with beef producers scaling operations in the Midwest to meet demand (Winrock International, 2012).

With more land being used to grow cash crops for producing energy, less land is available for pasture and hay production. The intense demands on existing pastureland present a growing concern among some stakeholders about the long-term impact to soil health and on future pasture and livestock production.

System Value

We define “system value” as the added economic, environmental or social value that is applied to and benefits all levels of the value chain. The group acknowledged there is a lack of understanding about the value across different sectors within the meat value system. The retail and restaurant groups suggested improving communication about the pricing and value of meat products. Consumers are demanding simple branding messages about how meat is produced, and the group suggested that the meat value chain might improve its system value through strategic branding.

Individuals or groups of small livestock producers primarily sell frozen rather than fresh products to small grocery stores. Our stakeholder group identified that building the value position of frozen meat within the system for consumers would prove challenging, but would increase the system value and foster growth of a high-quality supply of regionally produced meat products.

The livestock producers suggested that a better understanding of animal genetics as it relates to bringing added value to the regional food system is needed. In particular, more information needs to be provided about the types, frame-size and breeds of animals and how these factors add value to the system.

Record Keeping

The group acknowledged that smaller livestock producers need better cost of production data to determine how best to attain sustainability in the regional marketplace. Though benchmark examples

from the conventional livestock industry exist, there are limited whole farm business models available for small livestock farms with which they can compare their individual farm data. Record keeping was highlighted as being a particular challenge for smaller, more locally and regionally oriented businesses.

Intermediaries to Connect Markets and Respond to Opportunities

A general consensus from the group indicated that, while the market trend shows increased demand for regionally or locally grown meat products, the market opportunity is not being adequately met in Michigan because of the challenges highlighted in this document. Having adequate time is a very limiting factor for many producers, processors and retailers. Small producers, processors and distributors do not have the value chain infrastructure in place that larger commodity livestock chains do. For a small livestock producer to effectively work with buyers such as small retail, food cooperatives and institutions, an intermediary is often needed to assist in brokering relationships, in arranging distribution and with product pricing and logistics.

THE OPPORTUNITIES

Stakeholders suggested numerous opportunities for addressing challenges within the regional meat supply chain. The opportunities presented here provide a broad, though not comprehensive, overview of these suggestions.

Capitalizing on Marketing Outreach Opportunities

A topic referenced throughout the day was the value in creating a more coordinated approach to marketing meat products locally and regionally in Michigan. Examples of how this coordination might be achieved include:

- assessing working through cooperatives or food hubs;
- employing a meat and livestock marketing coordinator or intermediary;
- establishing more efficient trucking and movement of meat product;
- planning inventory management to ensure a year-round supply of consistently high quality meat;
- providing small producers, processors and

distributors with examples of profitable case studies;

- developing and implementing a coordinated branding strategy (examples include the Pure Michigan™ program or the 5-Step™ Animal Welfare Rating used by the Whole Foods retail meat marketing model);
- developing consumer educational materials (i.e., meat manuals, education programs about cutting and cooking meat and using a whole carcass);
- conducting and using “fresh versus frozen” taste surveys;
- conducting “Buy Local” promotions within the restaurant and food service industries); and
- building better networks to facilitate commerce.

Regulatory Outreach and Education Opportunities

The group identified providing better education and outreach as a method for improving compliance concerning regulatory issues. Another compelling idea suggested by some in the group was to create a sliding scale of adoption of or compliance with regulatory standards based on the size of an operation, similar to the Michigan cottage food law (MDARD – Cottage Food Law, 2012).

Offering education concerning a number of regulatory areas was identified as a work priority; examples include: Hazard Analysis and Critical Control Points (HAACP), Good Manufacturing Practices (GMP) and the Michigan Agriculture Environmental Assurance Program (MEAEP). Overall, the group identified an opportunity in working more effectively across the value chain at meeting food regulations (i.e., food safety, worker safety and the environment) by taking the size and capacity of the operation into consideration.

Economic Research and Education Opportunities

Several suggestions for improving record keeping and managing value chain profitability were considered. A variety of ideas for economic research were identified, including:

- conducting a study to evaluate the profitable transport distance across each connection in the meat value chain;
- developing sample economic models with which

- to compare individual businesses in the supply chain;
- developing regional systems software for producers to better manage their record keeping and improve overall farm management; and
- researching the actual long-term profitability of selling to institutions and other markets, determining the cost of production and generating a net farm income database to use in benchmarking.

Product and Business Development Opportunities

The group discussed several new business development opportunities to be considered for future research. Examples included investigating increased efficiency of carcass utilization through developing new products such as natural pet food or locally produced “health conscious” hot dogs (e.g., nitrate-free, low-fat). Members of the group would like to see the meat industry learn more from the fruit and vegetable industries about how they have successfully accessed retail and food service distributor markets. The increased demand in local product is an opportunity, but further research is needed to better understand how these markets can be accessed.

With the need in the value chain for Michigan regional markets to sell meat utilizing the whole carcass (using custom exempt USDA-inspected facilities), it was suggested to work with appliance makers and retailers to support sales of freezers to allow larger quantities of a variety frozen local meats to be available in the home.

Production Research and Education Opportunities

It became clear at this meeting that current and new research aimed at informing profitable livestock production to supply meat for local and regional markets is a significant opportunity and identified need within the sector. Effectively communicating the results of that research is needed to ensure that smaller producers, meat processors, distributors, and retailers have access to information across the entire value chain.

Offering demonstrations and models of programs about successfully rearing livestock for regional markets was another suggestion by the stakeholder group. Examples

of such demonstrations include:

- successful grass-fed programs (Livestock Work Group member Jason Rowntree’s work, including year-round production);
- efficient small meat processing programs, including applying good industrial manufacturing practices to reduce delays and thereby increase efficiency in meat processing schedules;
- marketing pastured livestock and sustainable produce; and
- using effective genetics programs to raise livestock for local and regional markets.

Forage and cropping programs were discussed, particularly with respect to encouraging or creating incentives for producers to grow forages as a conservation practice for supplying more feed for ruminant livestock and regional markets. Reestablishing mixed farming (meat, orchardist, and fruit and vegetable growers in an integrated systems) through changing regulations may help support the long-term production, conservation practices and marketing for small livestock producers.

Potential Public-Private Partnership Opportunities

The group identified a series of potential partnership opportunities that may help increase marketing meat locally and regionally in Michigan. Specifically, they identified partnering with or supporting the creation of young farmer/beginner farmer groups and second-career/retiree groups (the latter typically has capital to invest in a new or second business) to attract new meat producers to the industry. Support for these groups should be coordinated by existing non-profit organizations or new coalitions that have clear, measurable goals and a vision for increasing the number and capacity of Michigan livestock producers (e.g., Michigan Food and Farming Systems, Michigan Young Farmer Coalition, livestock commodity groups, Michigan Department of Agriculture and Rural Development, and FFA).

The group would like to see partnerships emerge between many of Michigan’s regional retail establishments (e.g., Meijer, Kroger, Spartan Stores and Whole Foods), food service distributors (e.g., Sysco, Gordon Food Service, US Foods and Cherry



Capital Foods) and school districts to support market development for the meat industry. Livestock producer organizations were identified as key potential partners in advocating for producing for local and regional markets within Michigan. Collaborating with regulatory organizations to improve understanding of the value of regulation for both stakeholders and government was also considered a potential partnership worth developing.

SUGGESTED ACTION

Stakeholders suggested the CRFS Livestock Work Group develop a vision for nurturing a vibrant, robust, Michigan-based livestock and meat industry that serves local and regional markets. The group will seek resources for implementing research, education and outreach programs to realize this vision.

In addition, the Livestock Work Group will coordinate a meat and livestock stakeholder value chain task force to meet at least twice a year to:

- prioritize research, education and outreach activities;
- learn from and leverage existing livestock and meat processing projects;
- build a stronger network of stakeholders and public and private champions to support the development of Michigan-based value chains serving local and regional markets; and
- investigate opportunities for increasing business-to-business collaboration across Michigan.

THE VISION AND GOALS OF THE LIVESTOCK WORK GROUP

The Future

The Livestock Work Group envisions a Michigan where all consumers have access to Michigan-sourced meat products and where all sizes of livestock farmers, processors, and distributors have viable, growing local and regional markets with a wide variety of retail and wholesale buyers. These value chain partners can and will leverage the resources of universities, farm organizations, lenders, state agencies and community leaders to build industry capacity to meet growing demand in a manner that provides profit for the value chain partners, creates jobs for the state, generates economic benefit for local areas, and supplies healthy, safe food to Michigan consumers, while protecting Michigan's natural resources. Successfully building livestock and meat value chains for local and regional markets in Michigan will make the state a model for other states and attract additional private investment and public grant dollars to increase its value as a growing business sector in Michigan.

CRFS LIVESTOCK WORK GROUP VISION STATEMENT

The MSU CRFS Livestock Work Group sees a Michigan with economically viable meat value chains where livestock farmers, processors, and distributors contribute to the state's economy through profitable operations that strive to meet dynamic and diverse regional and local market demands.

The Goals

The CRFS Livestock Work Group will conduct and coordinate research, education, and outreach to identify and address local and regional challenges faced by Michigan livestock producers and meat, poultry and dairy processors and marketers that produce, process and market differentiated food and fiber products.

Project results will be shared with and interpreted for use by a learning network of stakeholders that represents the value chain and organizations that support the chain and that meets on a recurring basis.

Specific research, education and outreach topics identified by stakeholders will be the initial focus, aimed at increasing the value and capacity of the meat value chain in:

- marketing and outreach,
- regulatory affairs,
- value chain economics,
- innovative product and new business development, and
- the production of differentiated characteristic or trait-specific livestock and meat.

Expected outcomes of the work group's efforts will include, but are not limited to:

- increased awareness and understanding of Michigan's livestock production and meat

processing resources;

- increased value to the overall regional meat system, as shown through increased sales and the number of producers supplying meat to regional markets;
- enhanced public-private partnerships and investment in the industry;
- greater business-to-business cooperation;
- improved cooperation across and between agencies and universities to build the industry for local and regional markets;
- more employment opportunities in livestock production, meat processing and marketing; and
- increased opportunities for new markets for Michigan meat and other livestock products. >

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