

Commercial Marketing of Bison
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Bison producers have a variety of options when it comes to selling production stock. Every option has its upside and downside. It is up to the producer to indentify his or her goals and form a plan that meets those goals. There have been times of oversupply in this industry that forced some producers to use multiple marketing options to move production and maintain cash flow. Today's market is unique as there is a good balance between supply and demand. Carcass prices are at all time highs and consumer demand has remained steady through the economic downturn of late 2008 and 2009. We are in a "sweet spot" that has many other agricultural businesses looking at the bison industry with envy. There is no guarantee that we will remain in this desirable situation forever. However, all indications are that consumers nationwide, having discovered bison, will continue to vote with their dollar for this delicious product.

I. Marketing Options

Producers have the option of marketing their production in a variety of ways. The basic options are listed below. Some opt for the first option and sell calves. Others incorporate a mix of several in an attempt to spread out their risk and increase gross margins.

A. Sell calves after weaning

Pros

Maximize land base for breeding stock. Lowest inputs. Simplest

Cons

Lower gross margins possible.

B. Sell Feeders (carry calves through spring/summer)

Pros

Higher price per head should mean better margins. Simple

Cons

Larger land base required (more grass than A)

C. Sell fed animals live (Retained Ownership)

Pros

Lower transportation costs. More flexibility as to timing of the sale.

Cons

Lower volume as you will probably sell less that semi-loads. No reliable carcass data back to the ranch.

D. Sell fed animals in carcass form on the rail (Retained Ownership)

Pros

Retained ownership offers the producer the opportunity to get full Market price for meat animals without the added cost of direct marketing and allows the producer to focus on the production aspects of the industry.

Cons

Retained ownership requires more extensive handling facilities, higher inputs (feed), higher overhead (capital, interest, payroll). Retained ownership requires the producer to arrange sale with a carcass buyer or buyers ahead of time.



E. Sell processed meat direct to distributors (Boxed Meat)

Pros

Higher gross margins. Ability to buy excess cuts from other packers to supplement supplies.

Cons

Possible inventory control issues (storage, long inventory). Custom slaughter and fabrication plant necessary. Multiple receivables from multiple customers. Higher overhead costs.

F. Sell processed meat direct to grocers/restaurants(Further Processed)

Pros

Higher gross margins. Ability to buy excess cuts from other packers to supplement supplies.

Cons

Possible inventory control issues (storage, long inventory). Custom slaughter, fabrication and further processing plant(s) necessary. Multiple receivables from multiple customers. Higher overhead costs.

G. Sell processed meat direct to consumers (Farm Gate Marketing)

Pros

Higher gross margins. Ability to buy excess cuts from other packers to supplement supplies.

Cons

Highest labor inputs. Possible inventory control issues (storage, long inventory). Custom slaughter, fabrication and further processing plant(s) necessary. Personal checks from customers.

For the balance of this chapter we will focus on D – Carcass sales.

II. Carcass Sales Today

Today the vast majority of medium to large cow/calf operations market their production in carcass form to the major packers.

Carcasses are typically sold at a price hot hanging weight FOB the slaughter plant. The producer is responsible for freight costs getting the animals to the plant. Usually the buyer pays all slaughter costs. Most buyers have carcass criteria (weight, age, fat cover, fat color) that must be met and a discounted price for carcasses that fall outside the specifications. Purchases are usually made on either gooseneck trailer loads (10-15 head) or semi loads (45-50 head). Prices for the past 8 months have been at twenty year highs and demand for meat remains strong. This bodes well for the industry in general.



III. Bison Industry vs. Beef Industry Considerations

The bison industry is very different from the beef industry. Although the major buyers of beef carcasses are the big packers that slaughter thousands of head per day most of the carcasses are purchased from entities that did not produce the feeder i.e. do not own the cow. In the bison industry most of the carcasses purchased are from either the cow/calf producer in a retained ownership program or from a feeder that purchased the feeder animal from the cow/calf producer. This means there are fewer entities between the cow/calf producer and the consumer. The beef industry uses a USDA grading system to determine the value of each carcass. The bison industry has 2 grades – yes and no. A bison carcass is either good enough to be considered high quality or the whole carcass is utilized in ground bison. Thus the difference in carcass value between the good carcass and the carcass that did not make the grade can be significant.

IV. Protocols

Producers need to be aware of any requirements that the packer may require due to label claims or customer requirements downstream. Antibiotic Free (ABF) is a basic requirement that some grocers demand today. This means that as a producer you cannot utilize any antibiotics in your production animals at any time. If you plan to market your cull cows on the rail they must be managed the same way. Proper, targeted and timely vaccination programs can eliminate much of the need to use antibiotics. Animals that are treated due to injury or disease must be ear tagged or marked so that they can go a different direction when the time comes to sell that animal for meat. Traceability is another important part of a producer's management program. If you buy calves from a neighbor or other producer the ability to identify those animals through the system and on to slaughter is very important.

VI. Timing the Market

Historically, supplies of market ready bison are highest in late winter and early spring. Demand is highest in summer and fall. Today this creates a problem for both the producer and the packer as the market demands fresh product verses the "good old days" when frozen meat was the industry standard. Producers can capitalize on this trend by backgrounding calves or yearlings on grass in order to have them ready later in the year. By spreading production animals out through the summer and fall the producer may benefit from price increases that could occur due to seasonal shortages in supply and assist the packer in supplying a year round market.

VII. Plan B

Any well formed plan will have provisions for changes in demand, price etc. Today's market is very strong and in all likelihood will stay steady or grow stronger in the near term. This does not mean that one should not play the devil's advocate and think about a "Plan B" marketing scenario. What if a plant you utilize closes down? What if your customer gets out of the business? What if regulatory changes make it more difficult to do what you are doing? There are many scenarios that can have a negative impact on you business plan.

"Plans are nothing, planning is everything." Dwight D. Eisenhower