

Selling and Pricing Freezer Beef

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There are several issues related to selling freezer beef directly to consumers. Among the most critical is effectively communicating the value and yield a consumer can expect in terms of retail cuts. The livestock producer wants the consumer to perceive value and quality when buying direct. The consumer often overestimates the quantity of meat products he or she should be taking home. In this factsheet we will demonstrate how to set a minimum, break-even price while demonstrating what may be harvested per half of an average beef carcass.

Pricing

Long term, a beef producer must cover their cost of production if they are going to stay in business. Beef cattle finishing cost includes variable costs, items such as feed, mineral, hay, veterinary, marketing and other supplies. In addition, there are fixed costs which includes items such as labor, machinery, facilities and management. University enterprise budgets are useful tools utilized to evaluate total production costs. The Ohio State University Extension enterprise budgets may be found at: <https://aede.osu.edu/research/osu-farm-management/farm-finance/enterprise-budgets>.

Economic Data to Figure Break-even and Hanging Beef Calculations

For the beef producer the cost of the calf or yearling going into the finishing phase of production can be the most challenging and important figure in the break-even calculation. A cow calf producer must cover cow cost and calf cost for a combined calf cost. As the calf should cover the annual cow cost. If the calf was purchased, we now have an accurate figure on which to estimate break-even. If unsure of the production expenses, it will be helpful to utilize the enterprise budgets mentioned above to come up with a realistic value for the calf.

Break-even

(cost of calf) + (feed, labor, management, and other related costs) = (a) _____ total costs

(b) Finished weight of steer (lbs.) _____

$a \div b = \text{Break-even } (\$/\text{lb.})$

Example 1: 550 lb. steer purchased at \$1.00 per pound live weight and grown to a finished weight of 1,250 lbs.

If the initial cost is \$550 for the calf and related production cost total is \$625 then:

Total costs are $\$550 + \$625 = \$1,175$.

Break-even cost per pound = $\$1,175 \div 1,250 \text{ lbs. animal live weight} = \0.94 per pound .

Therefore, the livestock producer must receive an equivalent value for the carcass of 94 cents per pound or production costs are not covered.

Break-even live animal selling price is 94¢/lb.

Then a 1,200 lb. steer is worth \$1,128.

Calculation: $1,200 \times .94\text{¢/lb.} = \$1,128$.

If the steer dresses at 60% (and there is a range in dressing percent) = 720 pounds of beef carcass or two half carcasses of ~360 pounds each.

Calculation: $1,200 \text{ lbs.} \times .60 \text{ dressing percent} = 720 \text{ pounds of carcass} \div 2 \text{ halves} = 360 \text{ lb. halves}$.

So the cost = (a) _____ animal cost (including feed, labor, etc.)
 +
 + (b) _____ slaughter & cutting cost (meat processing plants charge a fee for slaughtering and cutting/wrapping)

Example: From our previous example $\$1,175 \text{ cost} + \$58 \text{ slaughter \& cutting cost} = \$1,233$.

Each 360-pound side would cost the livestock producer \$616.50.

Calculation: $\$1,233 \text{ (steer and cutting wrapping cost} \div 2 \text{ (two halves of a carcass)} = \$616.50 \text{ break-even of each half carcass}$.

As the livestock producer you must decide who will pay the slaughter charge and cutting and wrapping fee, it is customary for the consumer to pay these charges. There will also be a delivery cost for shipping the animal to the processing facility.

Consumers should realize that a hanging side of beef carcass will have a 25% - 30% cutting loss.

Each custom slaughter facility may have different fees associated with cutting, wrapping, and other processing. This fee can be a flat rate or based per pound of beef processed. Be sure to ask the slaughter facility about any additional costs before the animal is delivered for processing. It is common for local meat processors to be booked months in advance.

In our example a 720-pound carcass with a 25% cutting loss would yield approximately 540 pounds of various meat products.

Calculation: 720 lbs. of carcass X .25 cutting loss = 180 lbs. lost.
720 lbs. – 180 lbs. loss. = 540 lbs. of various meat products.

The yield, in terms of retail product from a beef carcass varies based on the amount of bone, muscle and fat in and individual carcass. See OSU factsheet, “Factors Impacting Total Pounds of Meat” for more information.

Pricing the Carcass

The total finished steer investment from our example \$1,233.00 ÷ 720 lb. of beef carcass to sell = approximately \$1.71 per pound which is what a livestock producer must charge to break-even, which includes a \$58 slaughter and cutting cost. This equates to \$616.50 per carcass side to cover all costs in this example. It is important to remember cost of production changes at least yearly, and processing fees vary by custom slaughter facility.

The consumer will be receiving approximately 270 lbs. of various meat products when purchasing the half carcass. A 360-pound beef half valued at \$1.71 per pound results in approximately \$616.50 expense for 270 lbs. of meat per half, or an average expense of approximately \$2.28 per pound of meat.

Calculation: \$616.50 ÷ 270 lbs. of meat from the one-half carcass = \$2.28 per pound of meat.

Part of the marketing process is helping the consumer understand what they get for their investment. The consumer tells the slaughter facility how they want the carcass processed. They determine the number of steaks, ground beef and other cuts received. In effect, by purchasing a side of beef, the consumer has purchased a meat product produced locally, and according to their standards. Please note we have demonstrated the process for calculating break-even pricing. However, each producer will have unique production costs and their own desired profit margin must be factored into the final price per pound.

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Disclaimer: This information is intended to serve as a guideline. Prices will vary between meat processors.