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Q's & M's

Five questions, four M's to consider before starting a direct-marketing business.

by Kindra Gordon, field editor

Direct-marketing ag products — from fresh produce to home-raised beef — is a hot ticket item with consumers these days. It's easy to get caught up in thinking, "Our farm could do that."

Maybe you could.

Although, before taking the deep dive into a new business venture, marketing specialist Megan Bruch Leffew with the University of Tennessee's Center for Profitable Agriculture, advises producers: "You need to do your homework. Consider the market potential, assess the resources in your state, and develop a plan."

She cautions, "Value-added ag is in, but it's not easy."

Leffew advises prospective producers interested in direct-marketing beef that product is only one piece of the puzzle.

"Many producers have the attitude 'if we produce it, they will buy it,'" she explains. "But that is not always the case. Customers may not buy enough, or may not pay enough to cover your costs to create a profitable business for you."

Question checklist

Leffew suggests considering five questions before establishing a new business:

Do I/we have what it takes? "Take a hard look in your mirror and assess your resources and your goals," she suggests.

She points out that operating a business requires knowledge, skill, organization, communication and planning.

She also encourages those looking to start a business to have a long-term commitment because it can take some time to get a business up and going.

Is there an actual market for the product? Leffew suggests researching the market to determine if there is an existing need/want among consumers that your business can fulfill. Consider: What is the need? How much is desired? And what competition exists?

Also, do customers have ability to purchase at a price profitable to you? Consideration must also be given to producing quality products consistently.

"If you don't meet expectations of customers, they won't be back," points out Leffew.

What are the regulations? Establishing a business requires having an understanding of product manufacturing, processing and marketing; business licenses and taxes; sales taxes; employment regulations; even county planning and zoning requirements, according to Leffew. Seek out resources via extension, state departments of agriculture or others who are also operating farm-based businesses.

Do I have a business plan? A business plan should help you organize and prioritize your business, as well as plan and evaluate financial considerations, says Leffew. She notes that some studies indicate businesses that take the time to put a business plan together are often twice as profitable as those that don't. (*https://agplan.umn.edu* is an online resource helpful for business plan development.)

☑ ***Have I assessed and managed risk?*** Risks to consider include legal, human resources, business interruption, production, financial and marketing. To reduce, transfer, accept or avoid these risks may require purchasing liability insurance, following specific safety protocols, saving an emergency fund, and/or choosing not to produce or market in a certain way to avoid certain risks, suggests Leffew.

The M's

Your answers to that series of questions should help guide you to determining ***if*** you want to pursue developing a business. Additionally, Leffew suggests would-be business owners should think about three M's — money, management and marketing.

Money is needed for the business start-up, to manage and cover costs, and eventually to make enough profit to keep a viable business going, Leffew points out.

Management requirements include having the skills and experience to juggle all the balls to make the business run. This includes being a people person and having the ability to connect with customers, as well as managing finances, production, quality, efficiency and even competition.

Marketing entails knowing and understanding the messaging needed to reach a target audience and attract — and retain —them as customers.

"Building repeat customers is the lifeblood of any business," says Leffew.

There's one more M that most businesses need, Leffew says. "That is magic. It takes a little bit of magic — or drive, energy and passion — to start and keep a business enterprise going."

Editor's note: Kindra Gordon is a freelance writer and cattlewoman from Whitewood, S.D.

How much beef can you expect from a fed steer?

The yield of edible beef from a beef carcass often comes as a bit of a surprise to consumers and even those getting into the business of direct-marketing beef. Let's walk through the math.

Dressing percent is the percent of the live animal weight that becomes carcass weight — usually about 62%-64% for fed beef. So, a 1,200-pound (lb.) steer would yield a 740-lb. to 770-lb. carcass.

From that carcass there is another significant portion that will not end up in your freezer. The expected yield of retail cuts from beef carcasses ranges from approximately 55% to 75%, depending on the fatness and muscling of the animal, and the type of cuts produced. A typical 750-lb. carcass with ½ inch of fat over the ribeye and average muscling with a 12- to 13-square-inch ribeye will yield about 65% of the carcass weight as retail cuts (roasts and steaks) and lean trim.

So, assume you start with a 1,200-lb. steer with a dressing percent of 63%, resulting in a 750-lb. carcass. From that you will get about 65% of the carcass weight, or roughly 490 lb., as boneless, trimmed beef. If you look at that as a percentage of the live weight of the steer you started with, it is approximately 40% of the live weight.

Remaining components of the weight are fat trim and bone. Fat can be highly variable, but in the example used, fat would account for approximately 20% of the carcass weight or 12% of the live weight. Bone accounts for the other 15% of carcass weight.

These are average figures, and they can vary considerably due to the fat and lean composition of the animal, as well as the trim level and methods of cutting the meat. However, it does demonstrate that it is a relatively small percentage of the live animal that ends up in the retail meatcase as high-quality edible meat. And it helps explain the difference between price per pound of a live animal and price per pound of retail beef.

Editor's note: This article is adapted from an article provided online by South Dakota State University Extension. For the full article, visit *http://bit.ly/FCMG21-CY*.