KLD Farm

Introduction

Ken and Lucy Drinnon started raising cattle at KLD farm about 20 years ago upon Ken’s retirement and their move back to his home state of Tennessee. Their 85-acre farm, plus additional leased pasture, supports a 40-cow herd and the ability to finish about 75 calves per year. The farm is located near Ashland City in Cheatham County.

Ken developed and maintains an active market selling finished cattle to a local butcher shop, which then has the animals harvested and processed under USDA inspection. In the beginning, he also sold live animals to individuals, who then had the cattle processed at a USDA custom-exempt processing facility. (USDA custom-exempt processing can only be done for the owner of the animal, and the meat cannot be sold.) To try adding more value from his production than he was earning from selling feeder and market cattle, Ken started selling retail beef cuts at the Nashville Farmers Market in 2012. Now, all of Ken’s finished cattle are harvested and processed under USDA inspection.
The Relationship Business

Ken believes it is important for a producer interested in direct marketing beef to enjoy building relationships with the customers. “You have to listen to your customers and what they want if you’re going to make it with the value-added [beef],” said Ken. “It is a lot more work than meets the eye.”

Ken explained, “The people are, for the most part, pleasant and enjoyable to deal with. I like that.” There may also be challenging customers. “I had a bad check for about $300 right when I started,” he said. “So now I only take checks from people I know.”

In addition to building relationships with customers, there are also contacts at the farmers market, with managers and other vendors. Building those relationships can be especially important in some markets where vendor space is either limited or competitive. Ken’s acquaintance with the previous manager of the Nashville Farmers Market helped him enter the market as a vendor. Persistence can help. “I bugged him [the market manager] a little bit and was able to get in,” Ken said.

Beef producers who can demonstrate they have a steady product inventory, have fulfilled all the necessary requirements and regulations for retailing direct to the consumer and who have the required refrigeration equipment can help promote their case for entering larger farmers markets.

Marketing Costs

Selling cattle to the butcher shop and making bulk meat sales to individual consumers amounting to a whole, half or quarter of a beef at a time both involve less marketing and management than retailing individual cuts at the farmers market, according to Ken. “It is a whole lot easier to estimate your costs when you’re selling whole animals or in bulk,” he said.

Ken has found it important to keep close track of the costs of selling at the farmers market. Some producers, he said, may be lulled into thinking higher farmers market prices automatically translate into more profits. “With the farmers market, there are a lot of costs that don’t pop right out at you,” he said. “The fuel...
costs can eat you up. There is also the cost of the farmers market membership or vendor fees.

Vendor fees for local farms at the Nashville Farmers Market in 2013 were $40 to $50 per day on Saturday and Sunday.

Product loss, what is generally called “shrink” in the world of food retail, is another cost. Meat can shift in transit, sometimes puncturing packages. “You can also get damaged packages, where the seals come loose,” said Ken. Those packages are not saleable.

Ken has also learned about the cost of the time required to manage inventory. “You’re having to constantly run specials to keep your inventory adjusted,” he said. “Farmers market is not as profitable as the (higher) prices might first look.”

Pricing

Ken said pricing is a challenge. It is important to calculate all costs, including the costs of raising the calf, feed, processing, transportation and marketing. He also advised checking prices for comparable products. “I just studied websites of other people who were doing it for their prices when I started,” he said.

Prices are never going to stay the same, he said. “If you’re selling out of something too quickly, it allows you the luxury of increasing the price a little,” he said. “If it’s not selling, you have to adjust it down a little or run a special on it.” He runs seasonal specials and also offers volume purchase discounts.

Frequently changing prices even affected how Ken chose his website designer. It was essential for him to be able to change his pricing information on the website. “It seemed like a lot of the companies wanted you to have them make all the changes to the website,” he said. “I made it clear before I signed the contract that I would be able to make changes after the website was done.” He said the designer did a good job providing him written instructions with how to make changes.

Using Available Resources

Ken tapped cost-share funds available from the Tennessee Agricultural Enhancement Program (TAEP) for Producer Diversification to help develop his website. That program also helped him purchase a walk-in freezer for storing beef inventory at the farm. “The walk-in makes a real difference,” he said. He stocks his stand at the Nashville Farmers Market with freezers on wheels, designed to roll in and out of his cargo trailer, secured by straps to the sides. Like other value-added beef marketers in Tennessee, his freezers are inspected by the Tennessee Department of Agriculture Regulatory Services as part of the Retail Meat Sales permitting process.
Moving Forward

In 2013, Ken’s sales were diversified among cattle sales to the butcher shop; bulk meat sales of a quarter, half or whole beef to consumers; and sales of individual cuts to consumers. The butcher shop remained an important part of his revenue, accounting for about 60 percent of his sales from the 50 cattle he finished in 2013. Bulk meat sales to individual customers contributed another 10 to 15 percent to total sales.

As he looks to the future, Ken hopes to continue to increase sales of his beef. He is also thinking about adding pork to his meat offerings at the farmers market. “I won’t raise the pigs. I have found some other local farmers who raise pigs that I can purchase from,” he said. According to 2013 Tennessee regulations, his meat sales can continue to be exempt from sales tax if more than half his sales are from products he has raised and the remaining sales are from products he purchases from the farmer who raises them. “That would be the biggest change I would anticipate, adding another product at the farmers market,” he said. “I have had to direct people who want pork to my competitor – then not only do I lose the pork sale, I also lose the beef sale.”

*In December 2013, the name of the TDA Regulatory Services Division was changed to the Consumer and Industry Services Division.

Learn more about the Tennessee Value-Added Beef Program and the Center for Profitable Agriculture online at https://ag.tennessee.edu/cpa or by calling (931) 486-2777.