



Welcome to the
**Tennessee Value-Added Beef
Webinar Series**

Made Possible By:







Today's Topics & Presenters

- What You Need to Know to Market Live Animals for Custom Harvest
 - Navigating Regulations and Analyzing the Potential for Profit



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Session Overview

- An Introduction to Live Animal Sales for Custom-Exempt Harvest and Processing
- Regulations Impacting Custom-Exempt Facilities
- Methods for Farmers to Operate Within Regulatory Environment
- Marketing Considerations
- Evaluating Your Potential
 - An example financial analysis
 - Advantages/Opportunities and Disadvantages/Challenges

Session Objectives


1. Increase awareness and understanding of regulations and provide methods to comply
 - Decrease legal risk
2. Increase understanding of the importance of business planning and financial analysis
 - Decrease financial risk

Live Animal Sales

(for custom-exempt harvest and processing)



Custom-Exempt Harvest & Processing



- Available only for the owner(s) of the animal
- Meat from these facilities
 - Cannot be sold
 - Is for household consumption by the owner of the animal “members of his household and his nonpaying guests and employees”

Custom-Exempt Harvest & Processing

- Permitted and occasional inspection by TDA
- Registered with USDA
 - Subject to federal humane slaughter regulations
- Meat from facility cannot involve commerce
- Approximately 150 custom-exempt facilities in Tennessee

Live Animal Sales

(for custom-exempt harvest and processing)

- A farmer selling a live animal for harvesting, processing and packaging in a custom-exempt facility . . .
 - Should have a clear and traceable transaction with the buyer of the live animal
- A separate clear and traceable transaction should exist between the buyer of the animal and the custom-exempt facility

Live Animal Sales Transaction

(for custom-exempt harvest and processing)

Between farmer and customer

- Farmers should have clear transactions/ documentation of a **live animal sale** to a household consumer
 - Bill of sale
 - Transfer of funds (check payment from consumer)

Live Animal Sales Transaction

(for custom-exempt harvest and processing)

- Household consumer must have full knowledge of **live animal purchase**
 - Bill of sale
 - Transfer of funds (check payment to cattle producer)
 - Visual understanding

Custom-Exempt Harvest & Processing Transaction

Between consumer(s) and custom-exempt facility

- Must have clear transactions and documentation
 - Bill of sale
 - Transfer of funds
 - Check payment from consumer to facility
 - Animal/meat in consumer(s) name at facility

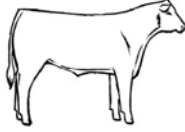
Bill of Sale

- Purpose is to document
 - The sale of the live animal from farmer to consumer
 - The customer had a visual understanding of live animal purchase
- No single “correct” format



Bill of Sale

- Identify
 - Date and location of transaction
 - Buyer name and address
 - Seller name and address
 - Livestock description
 - Dollar or other value received by seller
 - Payment method (check number, etc.)
 - Delivery service details
- Buyer and seller signatures



Bill of Sale

- Livestock description is key
 - Include as detailed of information as possible
 - Number of head
 - Gender/age (heifer, steer, bull, cow, calf)
 - Color or markings
 - Tag, tattoo or brand description(s)
 - Live weight
- Additional methods to indicate sale of live animal
 - Insert a photo of the live animal
 - Include a silhouette of an animal to draw markings or tags, brands



Bill of Sale

- Buyer receives original
- Seller needs to retain a copy

LIVESTOCK BILL OF SALE

Date Sold: _____

<p>SELLER'S</p> <p>Printed Name: _____</p> <p>Address: _____</p> <p>City: _____</p> <p>State: _____ Zip: _____</p>	<p>BUYER'S</p> <p>Printed Name: _____</p> <p>Address: _____</p> <p>City: _____</p> <p>State: _____ Zip: _____</p>
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This is to certify that the undersigned has this day in consideration of the sum of _____ dollars sold the following described livestock. The title to which _____ hereby guarantees:

No.	Head	Class	Age	Sex	Weight	Brands, Marks & Description

Signature of Seller: _____ Date: _____

Signature of Buyer: _____ Date: _____

http://www.billsofsale-template.com/livestock-bill-of-sale

Multiple Buyers of One Animal

- Bill of sale for each buyer
- Designate ½ interest or ¼ interest in the animal
- Avoid use of “carcass” terms
 - Whole, half, quarter

Additional Documentation - Payment

- Farmer should request check memo describe live animal sale
 - Examples
 - Black Steer Tag #543
 - ½ interest in Heifer #278
- Copy check to keep with records unless receive image of checks deposited from bank

Marketing Considerations for Live Animals Sales for Custom-Exempt Harvest

- Potential Customers
- Promotions
- Pricing

Potential Customers

- Freezer storage
 - Large overlap with hunters
- Rural areas – may shop less often or have fewer shopping options
- Like quality meat
- Like to cook
- Looking for cost savings over buying individual cuts
- Large number of family members to feed


Source: Ed Sparling, Jennifer Grannis and Dawn Thilmany. 2003. "Final Report: Panel Study of Natural Meats Demand".

Possible Promotions

- Depends on your goals and target market
 - Business card
 - Flyer
 - Brochure
 - Pick Tennessee Products Listing
 - Tennessee Farm Fresh Program
 - Website
 - Newspaper ads
 - Radio ads
 - E-mail List (of previous customers)
 - Vendor booth – county fair, etc.

Marketing Considerations for Live Animals Sales for Custom-Exempt Harvest

- Need to avoid impression that you are selling meat
- Avoid using “carcass” terms
 - Whole, side, half, quarter, etc.
- Consumer education will be important
 - Information sheets may be helpful



Pricing

- Consider
 - Cost of production
 - Competitor prices
 - Product characteristics
 - Customer willingness to pay
- Be careful not to under price
- Publication on pricing
 - <https://utextension.tennessee.edu/publications/Documents/PB1803.pdf>

Can I Make A Profit Doing This?

Income
– Expenses
Profit (Loss)

- **Income**—money that is generated by the operation (sales of live animals)
- **Expense**—money that is spent in the operation
- **Profit (Loss)** is what remains after expenses have been subtracted from income.

Income

Quantity Sold x Price per Unit = **Income**

How many animals will you sell to customers?

What price per head will you get for them?


Income



- Delivery Fees
 - Hauling calf to processor
 - Picking up meat
 - Delivering meat

Income

- Sales of Live Animals to Customers
- Delivery Fees




Note that all the numbers used in this presentation are examples for educational purposes only. You should conduct an analysis with numbers specific to your situation.

Income Example

	Range	Average
Sale of 1,000 lb Live Animal	\$1,200 - \$1,500	\$1,400
Delivery Fees (2 trips per animal, delivering animal and picking up and delivering meat)	\$70 - \$100	\$80

Income Assumptions for Example

- How many animals will you sell?
- Assume 1 animal per month = 12 head per yr



Income Example

	Quantity	Price	Income
Live Animals	12	\$1,400	\$16,800
Delivery Fees	12	\$80	\$960
Total			\$17,760

Expense Example

Expense	Descript.	Range	Assumed Value	Total
Costs of Finished Cattle	12 hd @ 1,000 lbs	\$1.19/lb- \$1.70/lb	\$1.26/lb	\$15,120
Mileage-deliveries	24 trips @ 63 mi. @ \$.51			\$ 771
Marketing Materials	Business cards, brochures, simple website			\$ 600
Labor for marketing & deliveries	48 hours @ \$10			\$ 480
Total Variable Expenses				\$16,971

Profit/Loss Calculation Example

Income \$17,760
 - Expenses -16,971
 Profit (Loss) \$ 789



Sensitivity Analysis Example

- What happens to profit if your expenses change by 10% or 20%?

Variable Expenses	Profit (Loss)
↓ by 20%	\$4,183
↓ by 10%	\$2,486
↑ by 10%	-\$908
↑ by 20%	-\$2,605

Sale of Live Animals for Custom Exempt Harvest

- Advantages/Opportunities
 - Likely fewer financial transactions
 - Less regulation
 - No inventory to manage or store
 - Lower capital investment
 - Product liability may be covered by farm owners insurance policy

Sale of Live Animals for Custom Exempt Harvest

- Disadvantages/Challenges
 - Target market may be small
 - Difficulty matching up customers with whole animals and division of meat
 - Getting customers to carry through with purchase commitments
 - Customers may lack ability to communicate with processor

Sale of Live Animals for Custom Exempt Harvest

- Disadvantages/Challenges
 - Customer expectations
 - Customers may not want to see the live animal that they will have processed
 - Customers' transportation constraints
 - Processor limitations

Sale of Live Animals for Custom Exempt Harvest

- Other Considerations
 - Accounting and legal costs
 - Franchise and excise taxes
 - Producer's role as educator
 - Difficulty promoting "live animals for custom harvest" without sounding like you are selling meat

Analyzing the Potential for Profit

- What will it cost to finish the animals? Will you be able to recoup all the costs and make a profit?
- What opportunity costs and risks are associated with carrying these animals through the finishing process?



Take Home Messages

- Opportunities exist to market live animals to consumers for custom exempt harvest
- Regulations prohibit the sale of meat from custom harvest facilities
- Farmers must carefully market and document live animal sale to reduce legal risk
- Farmers should analyze the potential profit/loss and additional risks for their specific situation to reduce financial risk

Evaluate Today's Webinar

- Please take a few minutes to complete the short online survey at

<http://www.surveymonkey.com/s/Z6CX52H>

Special thanks again to our funding partners:



Additional Resources Online Discussion Forum

- TN Value-Added Beef Google Group
 - To join, send e-mail to...

TN-Value-Added-Beef
+subscribe@googlegroups.com



Join Us for the Next Webinar

- November 13, 2012
- 6:30 pm Central/ 7:30 pm Eastern
- Basic Regulations for Marketing Beef to Consumers and Wholesale (Retail Meat Sales Permit, Weights and Measures, Nutritional Labeling, Wholesale Registration)
- Rob Holland and Megan Bruch
- Slides and archived versions of all webinars will be made available on <http://cpa.utk.edu>

