

The Kentucky Hamburger Alliance Project

Bob Perry

Introduction

A major problem confronting sustainable and profitable locally raised and finished beef is the difficulty in selling the majority of the animal in addition to the middle meats or steak cuts, as most of the Kentucky cattlemen attempting to self market have expressed. One solution could be to pool the producer's primal cuts and trim to create a high quality hamburger patty of sufficient quantity for foodservice distribution and use.

Making a profit for local beef producers hinges on their ability to market the entire animal. KY Cattlemen report that the steak cuts sell extremely well even at a premium price, but the supply is limited in quantity due to the difficulty selling the rest of the animal in the form of roasts or hamburger, which is being sold at or below cost just to keep production moving. If a way can be found to sell larger quantities of roasts and hamburger at even a small profit the finishing and slaughter rate can be increased and result in more steaks available for sale at a higher profit and enable more cattlemen across the state to explore this option.

Background Information

The genesis of this idea came from the experience of KY State Park's local food purchasing project. In meetings to discuss utilizing KY produced beef in the restaurant operations most of the producers commented that they were able to sell all the middle meat they could cut but had trouble selling their ground beef and roasts. The avenue taken by parks was to replace their commodity hamburger patties with locally produced patties and to reintroduce steamship roasts (the whole, bone-in untrimmed hind leg of a beef) on the Sunday buffets in place of commodity top and/or inside rounds (boned whole muscle roasts). Initially there were three established local beef producers who were interested in pursuing this idea and their geographic location in relation to the location of the various state resort parks allowed all three the opportunity without competition between them. This program began to show success but was abandoned for lack of leadership and management support. Two of the beef producers who were embracing the program experienced financial difficulties as they had increased their herd size and accelerated their feed schedule in anticipation of the increased demand. However, it demonstrated the major hindrance keeping Kentucky's local beef producers from become profitable by utilizing the large quantity of beef cuts the producers found hard to sell.

Utilizing the steamship roasts was an effective way for the beef producers to dispose of almost two thirds of the carcass without additional processing and the associated costs, but the opportunity was limited as these cuts were only used on the Sunday buffets and special event meals in the park system. Steamship roasts offer panache and the highest quality method to roast beef, but handling these large cuts does take more time and is more difficult than many chefs are willing to undertake. Processing the large cuts and trim from a carcass into hamburger patties offers almost unlimited sales potential as virtually every restaurant excepting white tablecloth establishments offers a hamburger on their menu. Hamburgers are an American icon. The state parks program was effective in part because of the geographic location of the established beef producers but it would not have offered much growth potential for these or additional KY beef producers beyond saturation of the park's needs.

Having realized the limitations and lost the opportunity with the park's beef purchasing program, another idea has emerged that could provide a solution to disposing of the large cuts of beef and trim and allow the existing producers and any others that choose to enter the market to participate, The Kentucky Hamburger Alliance.

Processing

Green River Cattle Company shared their experience with producing hamburgers from their cattle. Initially they investigated doing it themselves and found that the cost of the equipment (~\$50,000) and the construction of a processing facility were not feasible at the time of their startup. They have since utilized A-Thomas Foodservice Company in Louisville, KY to grind, patty and box their beef into four and five ounce hamburger patties and freeze them for later distribution. The cost to GRCC is approximately \$0.30 per pound including the packaging. They have had limited success marketing this product in competition with commodity hamburger patties sold by the large food distribution companies by selling to the parks department, independent restaurants, small grocery stores and at local farmers markets. GRCC has also experimented with other value added processing including beef jerky and beef barbeque with some success. However, manufacturing hamburger patties is the easiest method to dispose of the largest quantity of beef carcass excepting the steaks.

To reduce costs and control production the association would seek to form a partnership with an established small local processor. Ideally, grant monies would allow for the purchase of state of the art processing equipment and the construction of a dedicated production room and storage freezer separate from other operations. This would facilitate HAACP to a great extent and allow for lower labor costs for sanitation and maintenance. Preliminary estimates indicate that the initial volume from the three currently established producers would be approximately 10,000 pounds per month and would increase in proportion to the feed and slaughter rate of the cattlemen. This would be a very attractive addition for a processor, especially one that is struggling to be competitive, and create additional jobs.

Transportation of both the primal cuts and the finished product could be accomplished by utilizing the network of delivery trucks already on the road. Distributors blanket the state with refrigerated trucks every day that return to their respective facilities empty. Offering a nominal fee for transportation would be very attractive to them due to the increased fuel prices of the last several years.

Distribution

Commodity foodservice hamburgers are commonly sold in ten pound boxes of IQF (individually quick frozen) patties separated into layers by waxed paper and wrapped in plastic bags inside a flat, rectangular box with a hinged lid (A-Thomas also uses this packaging for GRCC). Restaurant operations prefer this packaging because is easy to stack and store in the freezer, can be pull-thawed and used from the original box. This avoids any additional handling by food service personnel until the hamburger is cooked and is very HAACP friendly.

Food service distributors are reluctant to handle locally produced hamburgers for a variety of reasons including the lack manufacturer rebates and marketing support, limited supply and decreased profit margin.

When a food service distributor offers a product for sale they desire to have an unlimited supply available for sale by all its associates to all its potential customers. There is an unlimited supply of commodity hamburger even if it is of dubious quality as described by Eric Schlosser in *Fast Food Nation* and further illustrated by the recent recall of millions pounds of ground beef in 2007 and 2008 in New Jersey & California respectively.

In *Food Politics*, Marion Nestle explains how grocery stores receive slotting fees from manufacturers to allot shelf space to their products. Similarly, food service distributors receive rebates from manufactures for handling their products and incentives for exceeding sales goals. Local companies are not able to offer these types of incentives due to lack of scale and profit. Only by creating a market independent of large distributors and gaining market share with their customers will the distributors gain interest in handling this product if an acceptable supply is available.

Manufacturer's representatives and brokers "ride along" with distributor salespeople and promote commodity products by offering special deals, free samples and free marketing/merchandising support. Outside of printed materials (table tents, flyers, posters, etc.) local companies are also not able to offer marketing support for their products in the form of advertising and person to person marketing. Marketing support should be budgeted for this cooperative, it is essential to have a dedicated and sustained sales effort to initially promote the product.

The key to the distribution of this product is to work with smaller, locally owned food distributors of which there are several in Kentucky. Offering a quality "Kentucky Proud" product that could be widely utilized differentiates these smaller companies from the major foodservice distributors and is an attractive proposition. It may be possible to emulate some of the traditional marketing efforts on a smaller scale with these local companies.

Business Structure

Preliminary figures do not support the idea of forming an individual company to process, market and distribute the products; therefore an alliance seems to be the ideal solution. The cattlemen would sell their primal cuts and trim to the co-op at a break-even cost of production. Any profit that is made would then be redistributed back to the cattlemen on a pro-rated basis. While this venture has the possibility of a small profit, the primary goal is to enable the cattlemen to increase production and therefore have more middle meat to retail individually. This method would also allow for additional cattlemen across the entire state to participate beyond the initial participants due to the alliance structure. Management of the alliance and its activities should be independent from the cattlemen and could be handled as a part time project past the initial inception.

The alliance would bear the cost of production, storage, marketing and delivery. If the cattlemen could sell their beef to the alliance at approximately \$2.00 per pound and production and marketing costs can be held at \$0.30 per pound the product price including

additional percentages for cost and marketing would be competitive with commodity products without regard for quality differences.

Marketing

With a focused marketing effort promoting the superior quality and other attributes of locally finished beef the product would command a higher price.

The two primary attributes that marketing would be based on would be the KY Proud designation and quality/taste. An ever growing national trend in the restaurant industry is utilizing locally grown products on the menu, and all the beef for this product would be source verifiable to individual Kentucky farms. The KY Proud brand has become a recognized symbol of quality and would assist greatly in the marketing effort. By controlling the process from conception to freezer in manageable quantities a superior product would be produced that could compete with any other similar product on the market. Most of the beef cattle finished locally grade choice, that and the use of primal cuts to make the hamburger patties instead of trim from who knows where would result in a very high quality and tasty product.

The primary market for the product would be foodservice operations rather than retail through grocery stores. Small and locally owned restaurants are more acceptable to new products than large grocery chains or multi-unit restaurants. This would also facilitate statewide exposure as virtually every town in the state still has locally owned restaurants. There is some possibility of marketing to smaller chain restaurants and there are several headquartered in the state. Additionally, large commercial operations would also be a target market, including the state park system, sports venues and colleges and universities.

Conclusion

This alliance could be successful because of the number of established local cattlemen who have already indicated they are willing to try this opportunity, the panache of the KY Proud logo for marketing both to the restaurants and on their menus, the high quality of the product and the increased business it would bring to a processor. Additional KY cattlemen who desire to finish their own beef across the state could be included in the alliance as long as they followed an established husbandry protocol. By starting with grass roots marketing and increasing the supply proportionally it could eventually grow to a point that the major food service distributors would show an interest in the product, especially if they begin to lose sales to it.

Just before the submission of this paper to Slow Food the University of Kentucky's Dining Services contacted the author and stated they would like to pursue this project. UK's Dining Services has conducted pilot projects with local food for the last two years with success, especially in their catering operations. The hamburgers from this project would be served in their a la carte operations rather than the dining halls where a minor increase in cost to the customer can be facilitated to cover the small increase in cost over their current hamburger patty. This is an offer from heaven for this project, their monthly usage when the university is in session is approximately 9,000 pounds per month, which would require virtually the entire supply of locally finished beef, and give a boost to all the cattlemen across the state trying to create good, clean & fair food from their farms.

Bob Perry
Coordinator & Chef
Food Systems Initiative
College of Agriculture
102 Erikson Hall
University of Kentucky
Lexington, KY 40546-0050
bob.perry@uky.edu
Desk: 859 257 1692
Cell: 859-797-1163

Original concept & paper, June 2006
Edited, April 2008