



# Development of a Direct Marketing Beef Program: Custom vs. Inspected Avenues of Merchandising

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Direct marketing is a term used to describe the method in which producers sell their beef animal and/or its products directly to the consumer. This can happen in one of two ways: producers can elect to direct market their beef through sale of a live animal and use of custom processing, or producers can offer direct marketed beef by using a USDA-inspected facility and selling their product through retail sale channels such as local farmers markets, online store fronts, etc. While both methods are considered direct marketing, the means by which they operate are quite different. Arguably, the most notable difference in direct marketing beef is choosing whether to market the animal or retail product.

## Custom vs. Inspected Marketing Options

The primary determinant when selecting a merchandising channel is whether the product is to be harvested and processed under (United States Department of Agriculture) USDA Inspection or Custom Exemption. Harvesting and processing animals under USDA Inspection means a trained USDA meat inspector is present for both the harvesting and processing of the product, overseeing and inspecting both the health and the safety (ante-mortem, postmortem, head, and visceral inspection) of the animal as well as its product for human consumption. Additionally, USDA has jurisdiction and oversight of facilities, sanitation, food safety practices, and labeling in order

to ensure the safest product possible. Products that are deemed safe for human consumption result in an inspected and passed marking, often referred to as “mark of inspection” and can be found on a product’s label. This rigorous process allows for the sale and resale of beef products in local markets as well as across state lines. On the other hand, animals harvested and processed under Custom Exemption will be marked “Not for Sale”. Products processed in this manner are just as safe for human consumption, however, because the animal and processing of product are not inspected by a trained USDA official, the processor and producer must comply with U.S. Code of Federal Regulations 9 CFR 303.1 (2), which states the meat processed from the animal is to be consumed by the owner, members of the owner’s family, and/or the owner’s non-paying guest. The term “owner” is loosely interpreted, allowing for multiple “owners” and thus allowing for animals to be sold as whole, or divided and sold into halves, or quarters. However, it is critical that animal ownership is established before the animal is delivered to the processing facility, as the processor must maintain records of the owner(s) of animals that are processed under Custom Exemption. This critical detail forces producers to sell and market the animal, while animals harvested and processed under USDA inspection have more freedom in terms of merchandising, including freedom to sell the animal based on live weight, hot carcass weight, by the side, quarter, or even the individual cut.

## Direct Marketing the Animal

Both options of merchandising (selling a beef animal vs. selling beef product) offer advantages and disadvantages and should be fully considered when entering the direct marketing business. The selling of a live animal as whole, half, or quarter greatly reduces the input from both a labor and financial vantage point of the producer. Once the cattle have reached a finishing weight, the producer is responsible for selling the animal prior to delivery to a processing facility. While direct marketing can be as simple as that for producers who merchandise the live animal, many producers offer additional customer services steps such as selecting meat processor(s) that customers can use. This is often a processor with which the producer has built a working relationship and whom the producer trusts to do an exceptional job processing and maintaining the integrity of their product. Furthermore, producers who choose to merchandise their animal live may offer delivery of the animal to the processing establishment as some customers will not have the capabilities to do so. The additional effort and services offered to the customer, such as advising a customer on how to fill out a cut-sheet, or offering pick-up and delivery of a finished product, can all be facilitated and may attract a larger customer base. However, it is important to understand that while this approach may seem flexible and straightforward, direct marketing of the live animal is a rather large financial investment for a customer. Remember that the selling of a live animal does not include the processing fees that occur at the processor. Therefore when purchasing a whole beef, a customer could be expected to pay as much as \$3,500 or more when both the cost of the live animal and processing are totaled (see Table 1). While arguably a tough sell to make at times, it boasts advantages such as minimal additional inputs as well as allowing the entirety of product (per animal) to be sold at one time.

## Direct Marketing the Meat

Cattle harvested under USDA inspection can be directly marketed in the same way as cattle that are sold live and processed under Custom Exemption processing (whole, half, quarters), which also has potential to increase marketing options. Specifically, when cattle are harvested under USDA Inspection it does not require the animal to be sold prior to delivery to the processing facility. Rather, a producer can retain ownership of the animal, as well as the meat, permitting the sale of meat directly to the consumer. This method of direct marketing allows for greater branding through the use of labeling, labeling claims, featured cuts, or trademark products (i.e. marinated items, pre-seasoned cuts, processed products, etc.) This approach relies on the producer to cover all processing costs upfront and depending on the extent to which they choose to customize their “brand”, may vastly increase the processing fees. There may be increased costs for a producer depending on the scale to which they size their direct marketing business. Often producers who choose to sell the meat product rather than the beef animal will also need to invest in cold storage such as freezers. The way in which a producer chooses to merchandise their product may also require additional inputs such as trailers, generators, tables, and displays if selling at local farmers markets, or if using an online retail store, shipping materials (coolers, freezer packs, etc.) will be required. Likewise, a producer may choose to sell to established retailers or restaurants and may require additional efforts in delivery of product also driving the need for greater inputs.

Depending on the extent to which producers choose to merchandise their products, additional regulatory and compliance efforts may be required. For example a producer may need to meet specific requirements for becoming an accredited vendor at a local farmers market, or perhaps

**Table 1: Example of calculating estimated cost for a customer when live animal direct marketing option is used. All prices are based on current national average (AMS, 2024)**

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Live Animal <sup>1</sup> : 1,475 lbs. x \$1.85 =	<b>\$2,728.75</b>
+ Processing Fees <sup>2</sup> : 929 lbs. x \$1.30 =	<b>\$1,207.70</b>
Total Customer Cost <sup>3</sup> :	<b>\$3,936.45</b>

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<sup>1</sup>Avg. Live weight (lbs.) x Avg. Market Price (\$/lb.) = Live Animal Sale Price

<sup>2</sup>Avg. Hot Carcass Weight (HCW; lbs.) x Avg. Processing Fee (\$/lb. of HCW) = Processing Fee

<sup>3</sup>Live Animal Sale + Processing Fee = Total Customer Cost

obtaining a meat handler's permit if selling wholesale product to hotels, restaurants, or institutions. Note that regulations surrounding meat retail differs among states, counties, and even cities. Producers who choose to merchandise meat via these options (and possibly others) should reach out to their local USDA Meat Inspection and Health Department groups to determine the regulations to which they must comply.

Finally, producers who directly market the meat should be conscious of product yield. Of course, this is just as important for those who choose to use custom exemption, however, the distinction of marketing the beef rather than the sale of the animal is that you are left to find continuous outlets for ground beef (approximately 200-250 lbs. / beef animal), steaks, and roasts. Even so, the potential to grow a customer base is substantially increased as consumers are not restricted to a limited location, as only USDA Inspected products can be merchandized across state lines. The freedom to merchandise individual cuts or bundles could appeal to a larger population of consumers as it allows for a more affordable price-point at the time of purchase, in addition to appealing to consumers who may not have large freezer storage within their home.

### Summary

When managed properly, direct marketing can offer the opportunity to produce value-added products that capture additional market share for cattle producers. However, before entering into the direct marketing sector producers should understand the opportunities and limitations that both Custom Exempt and USDA Inspected processing entails for the producer and consumer.

### Custom Exempt:

- Animals must be sold live to the consumer prior to delivery to the processing facility.
- The product cannot be resold, forcing consumers to purchase the whole, half, or quarter of beef.
- Large up-front cost to consumer.
- All beef products from the animal are sold prior to harvest.

### USDA Inspection:

- Does not need to be sold live prior to being delivered to processing facility.
- Meat can be sold very similarly to Custom (whole, half, quarter) or can be sold as individual wholesale, and retail cuts, as USDA Inspection allows for resale of product.
- Large upfront cost to producer.
- Producer retains ownership of all beef product once processed and packaged, forcing producers to secure continuous outlets for sale of product.

### Additional Resources

- [How to Direct Market Your Beef \(sare.org\)](https://www.sare.org/)
- [Direct Marketing Beef \(msstate.edu\)](https://msstate.edu/direct-marketing-beef/)
- [Cattle Marketing Plans: Traditional vs. Direct to Consumer | Oklahoma State University \(okstate.edu\)](https://okstate.edu/cattle-marketing-plans-traditional-vs-direct-to-consumer/)

### References

- USDA-AMS. (2024). National Daily Cattle & Beef Summary. Available Online <https://www.ams.gov/mnreports/lstdcbcs.pdf> (accessed April 2024)



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