

# MISSION:

Providing What Retailers Need

*Possible or Impossible?*

BY COLETTE KNUTSON OJERMUNDSON



Northern Plains producers believe they have the genetics, feed resources and determination to meet the needs retailers and suppliers have requested of them.

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“Mission Impossible” is more than a 1960s television show. It’s a recurring theme that plays throughout the beef industry and rings in the ears of producers everywhere.

Growing increasingly tired of the beef industry’s self-destructive story line, four Northern Plains Premium Beef (NPPB) enthusiasts boarded a plane in Bismark, N.D., in Feb. 1995 and headed east to learn how to propel the Northern Plains beef industry into a mission-possible mode. The trip was a learning experience that North Dakota’s Dean Meyer, Watford City; Donald Nordby, Amidon; Bill Patrie, Bismark; and Warren Woroniecki, Hebron, haven’t forgotten. The four remain staunch NPPB supporters and continue to put time and energy into making the beef industry better.

The initial mission was to investigate the marketplace to discover what consumers, and therefore retailers, want to buy in a beef product — a 360-degree turn from the long-standing assumption that consumers will purchase whatever the beef industry produces. The four visited upper-scale meat suppliers and retailers in Michigan, New York and Massachusetts.

They learned that beef suppliers and retailers want and need consistency and convenience in a high-quality beef product.

## One to remember

One visit that left an impression on all four participants was with a restaurant supplier who offered everything from pasta and cooking oils to lamb and beef. The supplier handled *Certified Angus Beef™* products and did portion control cutting for white-tablecloth restaurants.

The supplier took them in the back room and started opening boxes, showing them the variation within a box. “It was supposed to be the same,” Meyer explains. “He was supposedly buying a premium-quality meat, and he had to hire one person just to sort and trim. It was very upsetting to him.”

The retailer also felt taken advantage of because he’d ordered a product with 1/4- or 2/10-inch external fat, but the product he received only met the specifications on one portion of the cut. “It would be beveled on the end to meet that spec, but toward the opposite end it would be fatter than that,” Meyer says. Lack of consistency was his biggest complaint.

As a lifelong rancher and industry advocate, Meyer was surprised. “I thought it would be lack of consistency at different times of the year or weekly or monthly—but I didn’t realize it was a problem just within one box.”

Nordby, who has a master’s degree in

meat science, thought the marbling within the *Certified Angus Beef* products the four men saw was very consistent, but fat content and ribeye size were inconsistent. He estimates external fat ranged from 3/10 to 8/10 inch, with ribeyes ranging from 10 to 15 square inches. "Granted, I don't know the specs he was ordering under, but there was a lot of inconsistency in the retail yield of the primal cuts he was getting."

Even with a product the supplier believed to be the best available, he wasn't totally satisfied, emphasizes Ryan Taylor, NPPB communications director. There's room for improvement.

One retailer was quite satisfied with his current supplier — a distribution company that provided him with the cream of the crop, says Nordby. "But as a general rule, the retailer was frustrated with the product and, really, they had no place else to go. Their current supplier was the best in their area in terms of consistency, yet they basically got a load of whatever and the attitude was 'take it or leave it.'"

Because of these inconsistencies, beef retailers can't control their quality.

"Those are marketing problems for people trying to feature beef," Woroniecki says. "They can only represent the products that the packer gives them, which are products we produce." That, in turn, affects consumption. "If a customer has one bad steak, tough roast or fatty hamburger, it's going to take a long time for that person to come back to that restaurant and eat beef again," he adds.

#### Portion control

Restaurants also need consistent portion sizes. "Whether it's an 8-ounce, 12-ounce or 16-ounce steak, they want steak to be an inch thick," Woroniecki says, adding the challenge lies in varied carcass sizes.

Consider two steaks, each cut 1 inch thick, but one from an 800-pound (lb.) carcass and one from a 600-lb. carcass. "You're giving away the steak from the 800-pound carcass because you're selling it by the plate."

"We're not producing consistent-sized animals," he says, noting the wide genetic base even within specific breed bloodlines. "Pork and poultry can produce the same type of animal day in and day out, year after year. It can be mechanized and fit portion control. We cannot do that with beef, at least not in the large packing operations we have right now. We've got large-framed cattle, small-framed cattle, and we never know which is going to come out of the packing plant."

Woroniecki says concentration within the feedlot industry also cultivates

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Northern Plains Premium Beef supporters stress that for producers to see financial benefit in producing Choice-grade animals, they need to own them through the finishing stage and sell them based on quality grade.

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## The NPPB Mission

While Northern Plains Premium Beef's ensuing travel plans — drafted since

the Feb. 1995 marketing trip — have not been without lost luggage and interrupted itineraries, NPPB is still traveling. The producer cooperative has 300 members; knows what customers want and need; has chosen Belle Fourche, S.D., as its plant site; and has a nine-member board and president/CEO working toward the reality of providing upper-scale beef suppliers and retailers with a consistent, high-quality beef product.

The rancher-owned beef processing and marketing cooperative intends to be a niche-marketer and has three core competencies: food safety, a high-quality meat product and source verification.

NPPB President and CEO Keith DeHaan says a New Zealand-type processing system will be implemented to provide food safety, hygiene and low bacteria count.

"United States processing chains run at a rate of 200 to 350 head per hour, and there is a conflict with optimum food safety and optimum efficiency," he says. "The faster those lines go, the more difficult it is for plants to provide a necessary level of carcass hygiene. In the New Zealand system that conflict doesn't exist, because a low chain speed allows great detail on the carcasses, making absolute certain that there is no cross contamination."

While traditional processing systems can't operate that slowly because of costs, DeHaan assures that the New Zealand processing scheme can keep overhead costs low.

Second, NPPB intends to create a high-quality product by locating in the Northern Plains and by implementing minimum standards throughout the production process. "Breeders will pay a lot of attention to the kind of carcasses they produce, and we expect those carcasses to be of extremely high quality," he says, noting that the Northern Plains has some of the most astute breeders in the industry.

The third core competency is source identification and accountability. "We know who produces everything in our system, and there is some data on how it was produced," he says.

Through spring 1998, all of NPPB's efforts focused on preparing a business plan and giving investors a reason to invest. An NPPB equity drive began June 1. "We hope that it's a short time frame to get what we consider minimum investment to become a viable company. Then it's just a matter of executing our business plan and getting our plant built." DeHaan concludes, "We have a responsibility to our investors to develop a successful company that benefits them and has a very positive impact on their long-term profitability."

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inconsistency. "They basically feed for feed efficiency and dressing percent. If an animal dresses out at 63 percent with an inch of backfat, that's fine because they got paid for their dressing percent," he explains. "If the animal had a tremendous average daily gain and graded Standard, that's fine because they got paid on their feed efficiency

"What's happening is the good cattle are discounted, poor cattle are subsidized and the cattle in the middle bring what they're worth."

Inconsistencies leave the supplier/retailer dissatisfied. "They didn't get what they ordered and couldn't demand it because there is nobody to complain to," says Woroniecki. "There is no accountability in the beef industry. The packer blames it on the feedlot. The feedlot blames it on the packer or the person supplying the beef."

### Convenience

Another need is for convenience. "People want something quick that they can take home and make," Woroniecki says, noting his disappointment that the Cattlemen's Beef Board did not repeat its 1997 funding level for rewarding creators of value-added beef products.

"The meat case basically hasn't changed since our grandparents' day," Meyer adds. "We knew we had the best product and just thought people would keep buying it. We didn't try to make things easier for the

consumer. Now people are trying to do those things."

One example is grocery stores employing chefs and offering meals to go. "People come from work and pick up their sirloin tip steak, potato, vegetable and salad in a Styrofoam container and are on their way home with their meal," says Meyer.

As convenient products become the norm, packing plants need to change, too. Until NPPB began looking into existing packing plants, "nobody realized that the packing industry in the United States was 20 years behind the rest of the world," says Meyer.

### Retailers, too, want quality

Suppliers and retailers want and need a supply of higher-quality beef.

"A lion's share of the highest-quality cuts go to the institutional or restaurant trade," Nordby explains. "There is frustration because the retailer has to market the end meats of the higher-quality carcasses and the lower-Choice/high-Select carcasses."

Woroniecki adds, "We're not producing the quality of meat that we did 20 years ago."

In a quest for consistent, convenient, high-quality products, retailers and suppliers are "looking for a beef product that can be a price leader [so] they can show some profit in their meat case again," says Nordby, noting that beef's share of the meat case has continually diminished. "They're looking for

a product that would differentiate from USDA Choice commodity products."

### Owning up

Realizing these facts, NPPB plans to produce and market a high-quality, source-verified product that is processed in a producer-owned plant.

"We definitely want to be something different — not just a commodity Styrofoam tray with the bloody napkin underneath," says Nordby. "Just walking by the display you'll notice that Northern Plains is different."

The difference is in NPPB's systems approach to production and processing. To make a change, NPPB developers believe producers need to own the infrastructure that produces the desirable product. For producers to see financial benefit in producing Choice-grade animals, they need to own them through the finishing stage and sell them based on quality grade.

"Many of us have a lot of investment in our cow-calf operations, but we need to invest in value-added processing, too," Woroniecki observes. "I don't think we can rely on other people to do the service for us. If they're going to do it, they're going to do it at a profit for themselves, not for us."

The NPPB approach includes rancher-to-retailer relationships. The NPPB visit was the first time eastern suppliers and retailers said they had ever had close contact with the

## Meet the faces of NPPB



Dean Meyer, Watford City, N.D., is a rancher who produces commercial cattle and feed grains. He was the Northern Plains Premium Beef (NPPB) interim board chairman, served in the North Dakota legislature for 10 years and is past president of the North Dakota Stockmen's Association.

Donald Nordby, Amidon, ND., is a cow-calf producer who holds a master's degree in meat science and likes to finish his own cattle. He operates Badlands Genetics and assists in heifer artificial insemination projects. He is a current NPPB advisor and past board member.



Bill Patrie, Bismarck, N.D., was instrumental in developing Dakota Growers Pasta and ProGold Corn processing companies. He is a former NPPB interim CEO and currently serves as rural development director for the North Dakota Association of Rural Electric and Telephone Cooperatives.



Warren Woroniecki, Hebron, N.D., is a vertically integrated cow-calf producer who works with his father, uncle and a cousin. He is an independent nutritionist who finishes cattle on various price grids. He served on NPPB's steering committee and as interim board treasurer.



Ryan Taylor, Towner, N.D., serves as NPPB communications director. He is a fourth-generation cow-calf producer and freelance writer/speaker who writes a column titled "Cowboy Logic" for various Northern Plains and western Canada publications.



Keith DeHaan, Bismarck, N.D., is NPPB president and CEO. He was raised on a large, family-owned cattle enterprise in south-central South Dakota and formerly served as vice president of technical operations with Beef America, Omaha, Neb. He also spent 12 years serving Farmland Industries, Kansas City, Mo.

people who actually raised the cattle, says Woroniecki. "They thought starting on the conception end was very important in having a uniform, quality-controlled product."

*Customers are willing to pay for a consistent, source-verified product from a company willing to work with the customer.*

One retailer, in business 30 years, said the visit was the first time anyone ever said, "You tell us what you want and we'll try to produce it," relays Meyer. "That's something that we, as an industry, let get away from us over the last 20 years. We were all looking at size and weaning weight and not at the end product."

#### **Share knowledge**

"Our industry is so segmented that we don't want to share too much information because then the rancher and feeder are going to want more money," adds Nordby. "We've got to get past hoarding our own little nest egg."

The lack of shared information is prominent throughout the production chain. "Finding out what these guys are paying for meat— and that some middleman or packer is pocketing the premium and not sharing information— really made me upset," says Woroniecki of his trip east. Fortunately, that scenario has begun to change within the last two years. "More packing operations or alliances are sharing that grid and helping the producer get some of the benefit from what the Angus Association has done.

"It's frustrating that we can't... get more people to see the problems and solutions that I've seen," Woroniecki says. "It's not a quick-fix. It's a long road in finding out whether we can evolve into a consumer-friendly industry, and the sad part is we're going to lose market share."

Concentration in the feeding and packing industry is slowing progress, he says. "There are four packers that kill most

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of the cattle. There are 20 feedlots that feed over 50 percent of the cattle. But these people don't see how they can get ahead of this thing by telling us what to do on the bottom end and passing the savings on. That's the quickest way to get there."

When questioned as to whether information and premium sharing will continue to improve, he responds, "I don't know. There are some small successes out there, but for the industry as a whole it's going to be tough."

### Mission possible

Woroniecki sees a solution in identifying feeding techniques and genetics. "We have to set our goals on one customer base and produce animals to fit that customer. We can get there by watching our genetics and controlling feeding programs: feeding to fit a market rather than promoting a cheap cost of gain." That approach may not be cost-effective for large feeding operations, says Woroniecki.

Can NPPB actually produce what the supplier/retailer wants and needs? "I don't think what they're asking for is out of line for producers," Taylor says.

"They're asking for a consistent product," adds Nordby. "When they order a certain spec line, they want them to be like peas in a pod. They're asking for tenderness. We can implement information and technology to provide that. Even if one out of 20 of our steaks eats tough rather than one out of four, we're already that much better than the rest of the industry. A lot of the things they're asking for are not that difficult. They're within our realm."

Nordby admits that initially, his take on Northern Plains Premium Beef was, "Yeah, right, IBP will squish us like a bug." But the marketing trip provided the proof. Customers are willing to pay for a consistent, source-verified product from a company willing to work with the customer.

The mission-possible mode that leads to probable success includes investigating the marketplace, building a product the marketplace wants, figuring your costs and then selling the product at a fair price.

"It's a systems approach," he says. "It's developing specification lines based on what the consumer wants."

### Change isn't easy, but is necessary

"Everybody wants to do something easy. They don't want to take responsibility for getting that final product to the customer," says former Northern Plains Premium Beef interim CEO Bill Patrie. The beef industry's current state, he says, results from a failure to recognize that the entire process is a system.

"We worry so much. It's so hard to get the genetics right, to get the calves born and growing, to get them fed properly, to get them slaughtered right. When you have so many things to worry about as a producer, you tend to categorize them and say, 'Well, I'm going to just do one thing,' whatever that is," says Patrie. "You can't forget one part of it. Any plan that stops short of including 100 percent of the components is not adequate."

Patrie says the marketing trip was an eye-opener. "It's very energizing to get to the marketplace and realize how sick our current system is. It's adversarial at every turn." Each industry segment tries to buy for less than real value because they aren't sure they can get the value further down the line.

Patrie believes the system can be easily improved. "Just own the product all the way through, and the returns will flow back to where the value is really created. All we're trying to do is reward real value. And all the consumer wants is to pay for real value."

Concentration can't be overcome by joining the crowd, says Patrie. "You can't fight that power with muscle. You have to fight with different forces. It's amazing how tough and durable the power of a different strategy is."

Recognizing that NPPB has struggled, Patrie is quick to add, "It's coming back. This is a very good business and . . . [we can] look forward to a bright future. Cows and calves work best on good grass, not in cages or confinement operations. Beef production fits how we want to live, and at the same time it develops a product that people want to buy.

"Producers need to know that if they source-verify their product and produce it to the specifications that meat buyers are looking for, they have a very strong and profitable market."

### Producers responsible

What can individual producers do to help themselves and their industry? Warren Woroniecki

suggests seedstock producers provide performance data and resist the temptation to sell lower-quality bulls.

"Don't try to sell mass quantities of bulls; just get the highest price for your best bulls," says the Hebron, N.D., cattleman. "We need to take a harder look at culling more bulls and not letting [lower-quality bulls] get into the breeding industry."

Become active in the commercial herds where your seedstock are used, suggests Woroniecki, adding it takes numbers to find out what your genetics are doing in the feedlot.

The same goes for commercial producers: Get feedlot and carcass information on animals you produce.

"The first thing we can do right now to help our own industry is raise cattle that produce a higher-quality carcass. Without even owning any [infrastructure], we can at least make sure that the calves we're producing fit some type of marketing system," Woroniecki says. "A number one goal right now is tracking genetics from the ranch to the feedlot to the processor."

Cow-calf producer and NPPB advisor Donald Nordby, Amidon, N.D., adds, "As beef producers, we need to take ownership of our product. If we aren't producing the right kind of product, we need to change or exit the beef business. The guys who produce what is needed or are willing to change should be rewarded."

For example, he says, "We all need to take ownership of the tenderness problem. I don't think it's just a processor problem or just a feedlot problem. Everyone plays a part in that. We need to quit saying, 'Well, that's their fault.'"

Injection sites are another example. "That's not just a feedlot problem. We can cause a lot of injection-site problems at branding by putting that shot in the wrong place," he says. "A lot of it has to do with getting past this island mentality, communicating back and forth, and using that information to build a better product. I believe if you give a customer what he wants, people are willing to pay a reasonable and fair price."