

University of Montana

ScholarWorks at University of Montana

Graduate Student Theses, Dissertations, &
Professional Papers

Graduate School

2023

DIY Beef: Why Some Montana Ranchers Are Gambling On Direct Marketing

Izaak John Opatz
University of Montana

Follow this and additional works at: <https://scholarworks.umt.edu/etd>



Part of the [Other Arts and Humanities Commons](#)

Let us know how access to this document benefits you.

Recommended Citation

Opatz, Izaak John, "DIY Beef: Why Some Montana Ranchers Are Gambling On Direct Marketing" (2023).
Graduate Student Theses, Dissertations, & Professional Papers. 12107.
<https://scholarworks.umt.edu/etd/12107>

This Professional Paper is brought to you for free and open access by the Graduate School at ScholarWorks at University of Montana. It has been accepted for inclusion in Graduate Student Theses, Dissertations, & Professional Papers by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.

DIY BEEF: WHY SOME MONTANA RANCHERS ARE GAMBLING ON DIRECT
MARKETING

By

IZAAK JOHN OPATZ

Professional Paper

Presented in partial fulfillment of the requirements
for the degree of

Master of Arts
In Environmental Science and Natural Resource Journalism

The University of Montana
Missoula, MT

May 2023

Approved by:

Scott Whittenburg, Dean of The Graduate School
Graduate School

Joe Eaton, Chair
Journalism

Dennis Swibold
Journalism

Neva Hassanein
Environmental Studies

© COPYRIGHT

by

Izaak John Opatz

Year

All Rights Reserved

DIY Beef: Why Some MT Ranchers Are Gambling On Direct Marketing

Chairperson: Joe Eaton

Ranchers in Montana direct market their cattle for several reasons, but many have done so to relieve their dependence on the national beef market, which critics claim is unfairly controlled by a consolidated packing industry. Pandemic-related disruptions to the U.S. meat supply chain created uncertainty and exposed vulnerabilities for producers and consumers that drove a renewed interest in direct-marketed beef. Casey Buffington ranches near Chester, MT, and began direct marketing his cattle in 2019 to assert more control over his market and create more profit for his ranch. In telling Buffington's story, this narrative explores how beneficial direct marketing can be to ranchers, as well as the factors that constrain direct marketing, such as the scarcity of available processing and lack of a robust local market. Investments by the Biden administration seek to build new meat processing facilities in the state, shortening the amount of travel ranchers like Buffington must make to access processing, and some ranchers have taken advantage of online sales and delivery routes to expand their markets in the state.

In the dim light of a January dawn, Casey Buffington ushered six cows from a small corral on his family's ranch in north-central Montana into the back of a stock trailer. He latched the trailer, climbed into his mud-splattered Ford pickup and slammed the door.

He had a four-hour drive ahead of him, west from his family's ranch near Chester, across the plains and over the Continental Divide, to a small meat processor in the Flathead Valley where the cows in his trailer would be slaughtered. They would be processed into burger, salami and cured sausage sticks, which Buffington and his dad, Gary, sell through their direct marketing business, Treasure State Meats.

Meat processors in Montana are small, few and far between. Because Buffington would sell the beef from these cows in restaurants and grocery stores, he was required to use state- or federally inspected facilities. He takes his cows to Lower Valley Processing, which, at 215 miles from his ranch, is one of the closest.

Buffington, who is 36, turned on the radio and took a cautious sip of coffee as he bumped over deep ruts in the frozen mud of his mile-long driveway. Delivering the cows and driving home will eat up much of Buffington's day. It's time he could spend working on the ranch or at his day job selling and delivering livestock feed. But the trip is worth it for Buffington, who will make significantly more marketing the beef himself than he would selling the cows at a livestock auction.

That increased profit could determine whether ranching is a livelihood or just a lifestyle for him. The ranch pays for itself but falls short of supporting the three generations living there. Like Buffington, his parents both have jobs off the ranch. Gary works for a livestock auction in Billings, and Buffington's mom, Gay, is a nursing assistant at an assisted living facility in Chester.

"Off-ranch income is what's making it affordable for us to live," Buffington said. "You know, buy some groceries, keep the house up."

Buffington and his parents hope to grow their direct marketing business to the point that they can quit their day jobs. But it's unclear whether there's enough of a market to support a dramatic expansion, and meat processing capacity in the state remains limited.

That may be changing. Over the past year, the Biden administration has issued tens of millions of dollars in grants and loans to expand existing processors' capacity and jump-start new ones. One of these, the Montana Premium Processing Co-op outside of Havre, is set to become federally inspected this summer and could cut the time Buffington travels to slaughter his cattle from eight hours to three.

Buffington is hopeful his family will be able to make it work. "That's why we're all running in different directions right now," he said, "To get to the point where we can hopefully get out from under these side jobs and just be able to focus on the ranch."

Of the six cows in Buffington's stock trailer, only one had a name. Stinker Von Wilkerson Cow, or Stinky, was Buffington's oldest son Jaxson's 4-H animal. Jaxson, 13, had helped raise the cow since he was 5.

This year, Stinky failed for the first time to get pregnant with a calf. In the calculus of a ranch like Buffington's, whose main paycheck each fall comes from the sale of young calves, a cow that fails to breed is quickly sold.

Buffington told Jaxson they had a choice. They could take Stinky to the livestock auction in Great Falls, where Buffington predicted a buyer would "nickel and dime" the older animal, who had an unsightly lump on her jaw. They'd get maybe 50 cents a pound, and Stinky would likely be processed into cheap ground beef at a large packing plant out of state.

Or, Buffington could direct-market Jaxson's cow after having her slaughtered and processed locally. They would have to store the beef and find buyers. Jaxson, who his dad describes as business-minded, said, "Well, which one would make us the most money?" Buffington's answer was clear—they would direct-market the cow.

On average, Stinky and the other cows in Buffington's trailer would each bring in around \$500 more through direct marketing than they would at a livestock auction.

Last year, the Buffingtons butchered and marketed close to 40 animals they would have otherwise sold at auction, contributing around \$20,000 in additional profit. The extra money goes a long way. "I wouldn't say it's the only reason an outfit like us is surviving," Buffington said. "But it's making it a little easier to pay the bills at the end of the year."

Older cows like Stinky may offer the best argument for direct marketing. Her age and the lump on her jaw would make her the least valuable animal at auction. But by processing her into snack sticks, which sell at a markup of \$6 a pound, Buffington could turn Stinky into the most profitable cow in the bunch.

For some ranchers, direct marketing offers a chance to regain control over their business by detaching part of their income from the national cattle market, which has increasingly come to be controlled by a consolidated packing industry. The Biden administration and many ranching advocates claim the largest meatpacking companies have used their market dominance to raise the cost of beef for consumers while lowering prices paid to ranchers for cattle, driving many out of business.

In the United States, the majority of fed cattle - calves that are fed and turned into high-quality beef within about two years - are born and raised at ranches like Buffington's. After about six months, they're sold to an intermediate feeding operation or directly to a feedlot, where they're fed intensively to between 1,000 and 1,300 pounds, and then bought by packers, who slaughter them and process the beef cuts sold to grocery stores and restaurants.

Each player involved makes a profit. But packers' share of the money consumers spend on beef has risen over the years, while ranchers' share has declined. Ranchers earned 60 cents from every dollar spent on beef 50 years ago, but make only 39 cents today, according to the White House.

In 1977, the four largest meatpacking companies processed about 25% of fed cattle. Just 15 years later, the four largest packing companies had nearly tripled their share of the market through a flurry of mergers and acquisitions facilitated by the Reagan administration. Today's four largest packers - JBS, Tyson Foods, Cargill and National Beef - process around 85% of fed cattle in the U.S.

Whether consolidation has led to illegal market manipulation is debated. Last year, JBS paid \$52.5 million to settle a lawsuit filed in December 2020 by retailers alleging it and other packers had conspired to reduce national slaughter numbers to drive up beef prices. Another lawsuit currently in court makes a similar argument, but on behalf of ranchers, who claim the "big four" beef packers colluded to depress cattle prices. The companies are also the subject of an ongoing antitrust inquiry by the Department of Justice, though the DOJ has not released details about the investigation since it began in June 2020.

The packing industry denies accusations of anticompetitive behavior, and claims ranchers' profits are dictated by supply and demand. CEOs from JBS, Tyson, Cargill and National Beef testified before Congress in April 2022 that recent low cattle prices were largely attributable to a glut in the market caused by a peak in the 10-year cattle cycle. The national cattle herd grows and shrinks as ranchers adjust their herds in response to climate and market conditions.

Sarah Little is vice president of communications for the North American Meat Institute, which represents most U.S. meatpacking companies. In an email, Little noted that concentration in the industry allows for economies of scale to produce meat more efficiently. "This value is passed on to the consumer with stable and affordable beef prices," she said.

Packers say recent high beef prices are the result of inflation, not high levels of concentration in the industry, which has held steady for 30 years. In a press release, NAMI accused the Biden administration of scapegoating the meatpacking industry "to shift blame for record food inflation."

Little declined to comment on either the DOJ investigation or JBS' \$52.5 million settlement. The penalty is seen as negligible in an industry worth \$63 billion annually, but, as the first antitrust lawsuit to bear fruit against beef packers, Iowa Republican Sen. Grassley said in a statement, "it validates what cattle producers have been telling me when they try to get a fair price in the marketplace."

Dr. Gary Brester, a retired professor of agricultural economics at Montana State University, has researched the beef industry for more than 40 years, and said he'd found no evidence of packer collusion. Concentration makes collusion more likely, but that doesn't mean it's happening, he said. "The problem is, there is no problem."

He and Little both noted the price of fed cattle had recently risen, which they saw as evidence of a fair market balancing itself out. "These allegations are always made when cattle prices are low," Brester said, "and then they disappear when cattle prices are high."

Cattle prices were climbing when Buffington returned to his parents' ranch in 2012 after serving six years in the Marines. The freedom and flexibility of ranching appealed to him — he liked

being able to work around his young kids' football games and school concerts, he said, "instead of having to ask my boss for the day off."

He sold his own calves for the first time in 2014, which turned out to be a banner year. But calf prices fell drastically in 2015 and continued to fall over the next three years. Buffington became frustrated by the lack of control he had over his market as prices for his cattle inexplicably dropped. "You take them to the sale barn and basically take whatever anybody's willing to offer you on that exact day," he said.

To give himself more options, Buffington experimented with direct marketing in 2019. Instead of selling all his calves that fall, he kept four and fed them over the next year and a half. When they were big enough to slaughter, he sold them to friends and family. "I think I made one ad on Facebook, and boy, they sold in minutes," he said.

Gary, having seen his son's success, began direct-marketing animals from his herd, too. They held back more each year, finding buyers through word of mouth and expanding to restaurants and grocery stores. In general, they sell young calves as high-quality steaks and roasts, 3- or 4-year-old cows as burger and anything older as snack sticks, salami or bratwurst.

One of the restaurants they approached last year was Spud's Cafe in Chester. In the 22 years Kim Miller has owned Spud's, she's bought the burger she uses for hamburgers and tacos through large distributors like Sysco. The Buffingtons told her they could match the price she was already paying. "I thought, well, it's local beef, it tastes way better, and everybody knows where it came from," Miller said.

She buys about 100 pounds of burger weekly, which Buffington or his dad deliver when Miller needs it. "I don't have to wait for a certain day, like a Sysco truck," she said. She put a sticker with the Buffington's Treasure State Beef logo on the front of Spud's menu. When customers ask what it means, Miller tells them it's from a local ranch. "They're like, Oh wow, that's awesome," she said.

The Buffingtons sell burger to four other restaurants, as well as snack sticks out of a convenience store and a pharmacy in Chester. That's in addition to the wholes, halves and quarters they sell directly to households, which they reach through word of mouth and posts on Facebook. Last year, they processed and direct-marketed around 12% of their herd.

Buffington's excited about growing the business. "If we could fatten up every calf that we own and sell them direct market, that would be ideal," he said.

After four hours of driving, Buffington passed Betty Lou, the 15-foot-tall pink pig statue in the front yard of Lower Valley Processing. He backed up to the corral where Stinky and the other cows would spend the night before being slaughtered the next day.

Jeremy Plummer, the owner at Lower Valley Processing, greeted Buffington. Wearing a red butcher's apron and two large sheathed knives strapped to his waist, Plummer prides himself on knowing his customers personally. "I still like to be the handshake guy - have coffee with Casey when he shows up, know what he expects from us," he said.

Plummer's family has owned the meat shop since 1974. Growing up, Plummer remembers when business got so slow his dad had employees paint the barn, change wheel bearings and prune trees just to stay busy. "Jeez, we butchered emus," he said.

There's not much downtime these days. A growing interest in local food increased business for Plummer even before the pandemic, but empty shelves and high prices at grocery stores in 2020 pushed even more people to seek locally sourced meat, which sent ranchers scrambling for processing. Today, Lower Valley Processing's waiting list is more than a year out. Plummer had to turn down around 4,000 head of cattle last year, and those were just the calls he received personally. "I have as much work as I can stay awake for," he said.

Plummer's butchers process about 18 beef and 40 sheep, pork or goats each week. He's not worried about new meat processors opening. "There could be, very realistically, five of these in a row," he said, pointing at the floor to indicate his shop, "and I wouldn't have to compete."

During the pandemic, when consumers were suddenly willing to pay more for local meat, Plummer said it was painful to see producers like Buffington struggle to find enough local processing to take advantage of the opportunity. "You feel really compelled to do as much as you can," he said. "Right now there's a lot of Caseys that see the opportunity to expand and the lack of meat processors is just a huge hurdle."

Walt Schweitzer is president of Montana Farmers Union, an advocacy group for family farmers and ranchers in the state. When he began farming in the 1980s, Schweitzer said, most larger towns had meatpacking plants. But plants closed as farms and ranches dried up in the farm debt crisis that decade, driven by high interest rates, reduced exports and failed agricultural policies. "The small family-owned and community-owned processing plants went broke because they had nothing to process," he said.

Only two dozen state- and federally inspected plants are available to ranchers in Montana today. In 2021, processors in the state slaughtered just over 38,000 cattle, a fraction of the 150,000 cattle the state's current residents consume each year. "Here we are, one of the largest livestock-producing states in the nation, and we can't even feed ourselves," Schweitzer said.

Most of the nation's beef is processed today in grain-rich Great Plains states including Kansas, Nebraska and Colorado, at plants that slaughter more than half a million cattle each year. Today, just 52 of these plants process 95% of the country's cattle.

The beef industry's reliance on such a small number of packing plants was called into question by the pandemic. Prices sank for ranchers when plant shutdowns glutted the market with live cattle, and the scarcity of processed meat sent retail prices through the roof. Packers made up to \$1,200 in profit per animal during this time, according to Sen. Grassley, and a White House analysis found the four biggest meat-processing companies' net profit margins tripled from late 2019 to late 2021.

In response, the Biden administration pledged to expand independent meat and poultry processing, dedicating \$1 billion from the American Rescue Plan Act to build new facilities, expand existing ones and train a skilled workforce to run them.

One wave of grants announced last year included \$292,000 for the Montana Premium Processing Co-op, a rancher-owned processing facility just outside of Havre. The Montana Farmers Union helped plan and finance the project, which aims to process up to 3,000 cattle, bison, hogs and sheep a year.

In November, MPPC celebrated its grand opening. Schweitzer toured small groups of visitors through the facility, his deep growl echoing in the unfinished space. “When I saw this facility, it was clear to me it would jump-start our whole system,” he said.

He walked the group through a room-sized cooler, where carcasses will be chilled and stored before being further processed into steaks, roasts, burger or specialized products. Outside, Schweitzer showed off the mobile harvesting unit, a converted semi-trailer where animals will hang from a rail system as they’re skinned, gutted and sawn in half.

The facility will be open to any hunter, farmer or rancher needing processing but owned by member ranchers, whose one-time \$5,000 fee grants them priority when reserving slaughter dates, discounted processing and dividends if the co-op turns a profit. MPPC began butchering animals under a custom-exempt license earlier this year but plans to become federally licensed this summer.

Bill Jones, MPPC’s general manager, sees the co-op as a small step in what he called a “re-shifting of culture” that will help return agricultural production to rural areas in Montana. Ranchers will benefit from closer processing and discounted costs, and their local communities and the state will benefit, too.

Beef cattle are most valuable between the time they’re weaned from their mothers as calves and when they’re slaughtered. “That’s where the money is made,” Jones said. Currently, 97% of the 1.3 million calves born in Montana are sent out of state after weaning. By making more processing available, Jones hopes, MPPC will give ranchers like Buffington the chance to market more of their animals locally. “That keeps the profit in Montana, which hopefully will trickle back to the family farm,” Jones said.

Even as new investments expand the state’s beef processing capacity, some wonder how much the local market can support direct marketing.

Ben Peterson, a rancher in central Montana and secretary-treasurer at MPPC, isn’t overly optimistic. He sells 10 or 12 cattle each year to friends and neighbors, up from one or two before the pandemic. He doesn’t see there being much of a market for him to expand. If he fed and processed many more of his animals, he thinks he’d have to look out of state to sell the beef. “There’s just not enough consumers in Montana,” Peterson said.

Another complication is that, even among consumers who do buy local beef, most want the same cuts, said Brester, the retired professor. “It’s not that hard to get rid of the better cuts, the tenderloin steaks, the T-bones, the rib eyes,” he said. “But half of the animal’s hamburger. And there’s just not that much of a premium on hamburgers.”

Gary Buffington acknowledged this, too. Much of what the family sells is burger patties, which make the least profit. “In a perfect world, we would sell all our beef cows as snack sticks, but that's not realistic,” he said. “There just isn't a market for that right now.”

Peterson and Buffington sell their steers and heifers as wholes, halves and quarters to avoid getting stuck with less-desirable cuts. Customers who buy local beef at this volume spend less than they would at the grocery store, but not everyone can put up \$1,500 for half a cow, or has the freezer space to store it.

While customers can benefit from direct marketing, the risk falls squarely on the rancher. “When you hold that animal into the processing and retail sector, you’ve added a lot of risk to your operation,” Brester said. The cost of feed could jump, the market for beef could fall or the animal could die. “You have to be compensated for that risk, or else people simply won’t take it.”

At his family’s ranch near Helmsville, Logan Mannix, 37, continues to find new markets for a business his parents’ generation started. The Mannix family began direct-marketing some of their animals in the early 2000s, selling grass-finished beef first at farmer’s markets and then at restaurants and natural-foods stores, such as the Good Food Store in Missoula. “I think the family was one of the earliest adopters of direct marketing back then,” Mannix said.

The family began selling beef as a way to hedge against the vagaries of the national cattle market. When cattle prices were low at the livestock auction, higher prices for direct marketing gave them a boost, even if they might lose some money on the grass-finished beef business when cattle prices rose, Mannix said. “It was a way to sort of stabilize the income a little bit.”

It was also a way to create jobs for subsequent generations that wanted to return to the family ranch. Mannix and his wife returned to the ranch in 2016 and he took over the ranch’s direct-marketing program in 2018.

He built a website where customers could order beef online, operating on the assumption that his market could be expanded if buying local meat was more convenient. “I think there are people who are interested in local beef and are willing to pay more, but aren’t necessarily willing to go too far out of their way to find it,” Mannix said.

The family had weighed whether to start a delivery route for years, but they pulled the trigger when the pandemic threatened to shut down restaurants and farmer’s markets. Today, customers can order anything from a package of hot dogs to a whole cow online and pick it up from one of two delivery routes that loop through western Montana every other weekend.

The ranch’s direct-to-consumer business now rivals profits from sales to grocery stores and restaurants. Mannix’s parents were surprised by how fast the online sales grew, he said. “I think

they felt that they were reaching most of the customers who were interested through the channels they already had.”

The grass-finished beef business makes up close to half of the ranch’s income, though it accounts for less than 30% of the herd. Mannix said on average, the ranch makes several hundred dollars more per animal by direct marketing them. He sold around 350 beef cattle last year, bringing in an extra \$70,000 in profit, even after covering his salary and another part-time position.

“One of our biggest goals is just to provide more livelihoods,” he said. “We want to keep our school and our town alive.”

When it was time to leave Lower Valley Processing, Buffington bought two packs of snack sticks from a cooler in the front office. “I could pretty well live on snack sticks,” he said. They would comprise his lunch and dinner, as he wouldn’t get back to the ranch until after dark.

In a week, Buffington or his dad would repeat the trip, returning to pick up Stinky and the other cows in the form of snack sticks, salami and hundreds of pounds of burger. For now, these long drives and all the extra work that goes into direct marketing are worth it to him.

In January, Buffington was elected to a board seat at MPPC, allowing him even more control over his product. Once the co-op becomes federally inspected this summer, he won’t have to make the long drive to Lower Valley Processing again. But he’s not taking the risk yet - he’ll wait to see if the butchering is as good as Plummer’s before he makes the leap. “If it’s a good product, I’ll start taking all my stuff there,” he said.