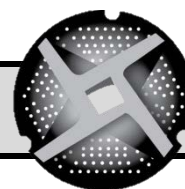


Ranch Foods Direct: A Case Study



This case study is excerpted from the report, "From Convenience to Commitment: Securing the Long-Term Viability of Local Meat and Poultry Processing" by Lauren Gwin and Arion Thiboumery, published June 2013. The central conclusion of the report is that stronger, more regular business commitments between small processors and livestock producers are essential to grow the local meat sector. The report includes twelve case studies: seven successful processors and five public-private collaborations to support local meats processing. The case studies and full report are posted here: www.nichemeatprocessing.org/research

"My reason to get out of bed in the morning is to increase the money that stays at the farmgate and to give people good food." – Mike Callicrate

Ranch Foods Direct (RFD) is a food company with an integrated meat processing plant. RFD owner Mike Callicrate is in the processing business because he is in the meat business, with his own Callicrate Beef brand. Yet unlike White Oak Pastures, RFD also offers fee-for-service processing to area ranchers who market their own meat.

Ranch Foods Direct is a USDA-inspected processor and retail food company, located in Colorado Springs, CO. RFD does cutting (from carcasses and primals), packaging, and some value-added production but does not slaughter. Livestock are slaughtered at a nearby USDA-inspected slaughter facility or a mobile slaughter unit (MSU) parked on Callicrate's cattle ranch in St. Francis, Kansas.

RFD primarily processes cattle, 2000 head/year, for Callicrate Beef (CB), the RFD house brand.¹ The company also processes about 2000 head/year on a fee-for-service basis for about 40 ranchers, located within 150 miles of the cut and wrap plant, who market independently in the Colorado Springs region. Most bring fewer than ten head per year, for freezer beef sales. About ten customers bring more at a time and over the year, though only one brings cattle year round, ten to twenty head/month. The larger customers sell cuts, retail and wholesale, though a few sell primarily carcass portions of freezer beef.

All of the fee-for-service livestock and most CB cattle are slaughtered at a USDA-inspected slaughter facility in Colorado Springs, for a reasonable per head cost. However, uncertainty about that facility's long-term commitment to RFD led Callicrate to look for other options. He learned about a mobile slaughter unit being built by the Nebraska Environmental Action Coalition/Socially Responsible Agriculture Project and arranged to be the pilot user, beginning in 2011. The USDA-inspected MSU, now owned by the non-profit organization Renewable Harvest,² is operated at Callicrate's ranch by two butchers and two helpers, who are otherwise employed at the ranch.

¹ Cattle come from Callicrate's ranch and four neighboring co-producers; they are raised with no subtherapeutic antibiotics or added hormones and are finished on a corn and hay ration at Callicrate's on-ranch feedlot.

² [Renewable Harvest's](http://renewableharvest.org) mission is "to help rural communities build their local production, marketing, and processing capabilities...by providing consulting services, and realistic and affordable solutions such as our Mobile Meat Processing Unit (MMPU)."
See NMPAN case study: [Renewable Harvest Mobile Meat Processing Unit](http://www.nichemeatprocessing.org/research).

As of this writing, only a dozen CB cattle per week are slaughtered at the MSU, too few as yet to warrant a full-time inspector. Most CB carcasses go to one of two break plants³ to be broken into subprimal cuts which return to RFD for further processing: wholesale and retail cutting, packaging to case ready (cryovac/rollstock), and portion cutting for restaurants. RFD also receives a small number of half carcasses to break, cut, and package to case ready.



Callicrate, who began ranching in 1975, started Ranch Foods Direct in 2000 with the goal of creating a viable alternative to the highly concentrated conventional meat industry. At first, RFD was only a production and marketing company, using a local, independent processor in Colorado Springs. He migrated to a larger processor and grew the business selling ground beef to high-volume customers, including sports stadiums and restaurant chains. When that processor left the business, Callicrate returned to Colorado Springs, opened the RFD cutting plant in leased space, and helped his original processor out of bankruptcy with a \$500,000 loan; in exchange, RFD took over the plant's cut and wrap business and continued to use them for slaughter. As noted above, the arrangement is insecure: the slaughter plant is an old facility that may require expensive upgrades soon, given its urban location, and one of its anchor customers is building its own plant.

Callicrate is also planning to build a new, more elaborate MSU with 25-50 head daily capacity. The three-part system will include a slaughter trailer (with on-board hide puller to increase hide revenue), a separate reefer truck for chilling carcasses, and a transport trailer to carry the carcasses back to RFD. It will be used at docking stations to limit what the MSU itself must carry and provide. "We've got ranchers with good corrals, electricity, water, and a way to compost offal. If they set up a docking station, the MSU can roll in and plug in."

Callicrate is committed to helping his processing customers find stable, profitable markets, in part by warning them away from difficult markets. He has seen many independent meat brands fail. "In eleven years, we've lost a lot of customers who have gone out of business," he says. "They poured their life savings into this but couldn't compete," for example, against distributors who he claims offer discounts to restaurants until independent ranchers can no longer compete, then raise prices again. While he recognizes that restaurants can be valuable partners and advocates for alternative food businesses like his, Callicrate advises most ranchers to focus on direct sales to consumers, primarily as freezer meat in carcass portions, with standard cuts, bone-in and paper-wrapped. He calls this "cowpooling."

Selling this way, Callicrate argues, is more profitable and stable. "This way, they don't leave money on the table: it isn't an alternative food system if a person can't make a living." It is also good business for RFD. The work is highly seasonal – mostly August through October – due to the fact

³ Colorado Natural, in Denver, and Rocky Mountain Meats, in Brighton, the only two independent boxed meat processors left in the U.S. who will break carcasses to boxed meats for independent labels.

that most ranchers who market their own meats are grass-fed operations, but cutting for “cowpooling” is RFD’s most profitable enterprise.

RFD can provide processing on a fee-for-service basis only because Callicrate Beef provides steady throughput year-round. In addition, core RFD staff stay busy with multiple enterprises, including the retail store⁴ attached to the plant, a home delivery service,⁵ mail order, “cowpool” sales (halves, quarters, eighths, and bundles), a farmers’ market, and wholesale accounts, primarily schools (8 districts) and the restaurant chain Chipotle.

Callicrate has not yet had to call on his processing customers for investment, because he has been able to capitalize RFD himself. Significant profits from a separate, successful business⁶ have allowed him to keep Ranch Foods Direct afloat for the first ten years he spent learning the business and arranging/re-arranging his supply chain. He believes he could never have started or maintained his business with traditional bank financing. “You have to be able to survive a long time,” Callicrate says. “For most people, it takes too long. It’s too hard.” RFD has recently become profitable, largely due to increases in fee-for-service processing but also retail food sales.

The Future

Callicrate believes that the local meat sector will continue to grow. While he remains concerned about the anti-competitive effects of concentration in the meat industry, and the lack of a comprehensive regulatory response, he says that RFD will survive: “We’ve had 20 years learning this, navigating the waters. We know where the rocks are.”

Key points:

- Ranch Foods Direct is its own key customer;
- In-house processing allows Ranch Foods Direct to offer fee-for-service processing to independent, local ranchers who do their own marketing;
- Ranch Foods Direct actively works with ranchers to improve their profitability;
- Creating and maintaining Ranch Foods Direct’s own market relationships may be the primary driver of the whole enterprise.

⁴ The store sells not only Callicrate Beef but a wide variety of foods, sourced as locally as possible, including cheese, seafood, produce, bread, salsa and condiments, and pet food (made in-house).

⁵ The 200 members buy 6 months of food at a time; RFD finances chest freezers, interest-free.

⁶ He invented and manufactures the “Callicrate Bander,” a non-surgical castration tool.