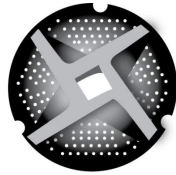


Product Costing/Pricing for Meat Processors and Marketers



**NICHE MEAT PROCESSOR
ASSISTANCE NETWORK**

October 21st, 2010 Webinar



www.nichemeatprocessing.org

Costing after the Farm Gate

Oct 20, 2010

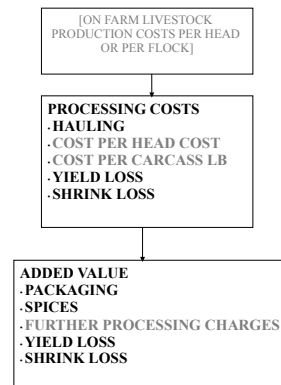


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Organic Prairie Family of Farms



Assumptions

- On-farm costs per animal or flock are known
- Livestock producer or producer group needs to evaluate costs beyond the farm gate
- These concepts can be applied to individual animals or groups of animals
- The more you “add value” the more complex and critical the costing equation becomes





HOW TO START

- CHOOSE YOUR SCENARIO
- UNDERSTAND WHERE YOUR YIELD LOSS AND SHRINK OCCUR
- DO A CUTTING TEST



SCENARIOS

- SELLING QUARTERS OR HALVES OR WHOLE BIRDS
- SELLING PIECES INDIVIDUALLY
- SELLING SAUSAGE, HOTDOGS, ETC



SHRINK

- ON FARM – DEATH/DISEASE LOSS
- SLAUGHTER
 - Condemned
 - Hot to Cold carcass weight
- FABRICATION
 - Damaged at plant
- FURTHER PROCESSING
 - Package or product damaged prior to delivery to customer
 - Quality incidents
 - Processing errors
 - Product going out of code prior to delivery
 - Spoilage



YIELD LOSS

ESTABLISH YIELDS BASED ON HISTORY

- FABRICATION
 - Excess external fat
 - Bones, connective tissue, other waste
- FURTHER PROCESSING
 - Line loss (grinding, cutting waste)
 - Cooking / drying loss
 - Addition of ingredients (could be a net positive)

QUARTERS AND HALVES

TOTAL CARC WT			725		
CARCASS COST		\$ 1,600	\$ 2.21	known at farm gate	
HAULING COST		\$ 25.00			
SHRINK	1%	\$ 16.25			
BEEF CHECK-OFF		\$ 1.00			
COST OF HOT CARCASS		\$ 1,642	\$ 2.27	delivered to plant	
PROCESSING CHARGES					
kill cost per head	\$ 57	\$ 57			
boning/breaking /# hot wt.	\$ 0.27	\$ 196			
grinding per lb	\$ 0.35	\$ 70			
credits/hd					
labels	\$ 10				
cert and quality	\$ 0.02	\$ 8.48			
Dam/spoiled shrink	1%	\$ 3			
TOTAL PROCESSING COSTS		\$ 345			
TOTAL COST		\$ 1,987			
TOTAL SALEABLE LBS		424	58%	MEAT YIELD	
		\$ 4.69	COST / LB		
MARGIN GOAL	10%	\$ 5.21	PRICE /LB	CUT AND WRAPPED	
marketing materials, labor, other					
delivery costs					
profit					

Date		ITEM	LBS	%	
Quality grade	Choice	Tenderloin 189A	10.73	1.5%	
Yield grade	2	Top Sirloin Butt 184	18.76	2.5%	
Live weight		Tri-Tip Defatted 185D	4.82	0.7%	
Hot carcass weight	739.5	Ball Tip	5.27	0.7%	
Cold carcass weight	718	New York Strip 180	18.22	2.5%	
Hot to cold shrink	97%	Hanging Tender	2.43	0.3%	
		Ribeye 112 A	20.91	2.8%	
		Short Ribs 123 B	11.92	1.6%	
		Texas Rib	7.52	1.0%	
		Eye of Round 171C	10.3	1.4%	
		Flat 171 B	26.15	3.5%	
		Inside Round 169	32.28	4.4%	
		Peeled Knuckle 167A	13.05	1.8%	
		Chuck Rolls Brns 116A	39.65	5.4%	
		Chuck Tender 116B	6.09	0.8%	
		Chuck Shoulder clod 114	28.75	3.9%	
		Flank	3.45	0.5%	
		Brisket	20.38	2.8%	
		Outside Skirt	2.02	0.3%	
		Inside Skirt	3	0.4%	
		90% trim	58.85	8.0%	
		80% trim	110.5	14.9%	
		TOTAL SALEABLE LB	455.05	61.5%	MEAT YIELD
		Fat	67.79		
		Bone - saleable	40		

PER PIECE SALE

CARC WT			190		
CARCASS COST		\$ 219	\$ 1.15	known at farm gate	
HAULING COST		\$ 10.50			
SHRINK	1%	\$ 2.29			
PORK CHECK-OFF		\$ 1.60			
COST OF HOT CARCASS		\$ 232	\$ 1.24	delivered to plant	
PROCESSING CHARGES					
bone/break/kill cost / head	\$ 60	\$ 60			
grinding per lb	\$ 0.35	\$ 5			
by-product credit/hd					
labels	\$ 3				
cert and quality	\$ 0.02	\$ 2.26			
Dam/spoiled shrink	1%	\$ -			
TOTAL PROCESSING COSTS		\$ 70			
TOTAL COST			\$ 302		
PRODUCTS	LBS/HD	VALUE/LB		W/MARGIN	10%
PK loin bone-in 410	34.2	\$ 3.50	\$ 119.70	\$ 3.89	
PK ham bnls 3 pc 1/8" trim	15.2	\$ 2.55	\$ 38.76	\$ 2.83	
PK butt bi sq cut	14.6	\$ 2.00	\$ 29.10	\$ 2.22	
PK picnic bnls 405A	12.4	\$ 2.00	\$ 24.80	\$ 2.22	
PK belly sknls sq cut	15.2	\$ 3.50	\$ 53.20	\$ 3.89	
PK spare ribs 416	7.3	\$ 2.00	\$ 14.66	\$ 2.22	
72% trim	9.0	\$ 2.00	\$ 16.00	\$ 2.22	
42% trim	5.0	\$ 1.00	\$ 5.00	\$ 1.11	
TOTAL SALEABLE LBS	112		\$ 303		



RESOURCE

COMMODITY PRICES

<http://www.ams.usda.gov/AMSV1.0/LivestockandSeed>

Helpful to see the relative value of the parts of the animal in the commodity market

Can "index" to these relative values

Or use your knowledge of your customer base and demand



FURTHER PROCESSING

PK LOIN BONE-IN 410	34.2	\$ 3.50	\$ 119.70
ADDITIONAL PROCESSING COSTS			
CHOP CUTTING/LB		\$ 0.50	\$ 17.10
LABELS, ETC		\$ -	\$ -
			\$ 136.80
PRODUCTS			
BONE-IN CHOPS	14.0	\$ 5.60	\$ 77.00
TENDERLOIN	1.5	\$ 9.00	\$ 13.50
LOIN END ROAST	3.0	\$ 5.00	\$ 15.00
BACK RIBS	3.5	\$ 4.00	\$ 14.00
TRIM	8.0	\$ 2.00	\$ 16.00
BONE AND WASTE	4.2	\$ -	\$ -
			\$ 135.50



FURTHER PROCESSED

SAUSAGE		%	\$/ LB	
TRIM	97%	\$ 2.00	\$ 1.94	
SPICE	1%	\$ 15.00	\$ 0.15	
WATER	2%	\$ -	\$ -	
			\$ 2.09	
COOK LOSS	90%		\$ 2.32	
ADDITIONAL COSTS				
PROCESSING/LB OUTPUT			\$ 1.00	
LABEL	12 OZ	\$ 0.07	\$ 0.09	
CASE	7.5 LB	\$ 0.30	\$ 0.04	
TOTAL COST			\$ 3.46	
MARGIN	10%		\$ 3.84	