



## Smucker's Meats: 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](http://www.nichemeatprocessing.org/research)*

*"Our goal is to try and keep the pipeline full. You have to be proactive."*

*– Mike Smucker*

Smucker's Meats is a small, USDA-inspected processing facility in Mount Joy, Pennsylvania. They handle beef, bison, and pork and offer slaughter, fabrication, and vacuum-packaging to case-ready retail cuts, fresh or frozen, with customer labels. They also make a wide range of value-added products. Except for a very small line of house-made BBQ products, they process entirely on a fee-for-service basis: their customers are farmers who market their meat locally and regionally. In 2011, Smucker's had \$2 million in gross receipts.

Smucker's is run by Jay Smucker and his sons, Mike and Jason. Jay's father started the business in 1965 as a custom-exempt butcher shop with a retail store; from 1985-2003, they processed 200 to 300 head per year. In 2003, after a fire destroyed the plant, Jay relocated and renovated a USDA-inspected butcher shop but continued to slaughter and process for farmers on a custom exempt basis.

The first important outside commitment came in 2005 when a Maryland natural meat company that needed more processing capacity financed Smucker's facility upgrades to transition to USDA inspection. Demand for inspected processing from other farmers in the region jumped immediately, due to rising interest in local, sustainably-grown food. In 2006, Smucker's re-wrote their business plan to focus on USDA-inspected processing, on a "custom" (fee-for-service) basis, for local, sustainable meats. Their business has grown steadily since. In 2006, they had six employees, including Jay, Mike, and Jason. They now have 35.

Smucker's currently has roughly 150 regular processing customers, the majority from within the county and all within a four hour drive (about 230 mi.). Of these, 20-30 are "anchor customers" who provide steady business: they annually bring 100-400 head, 10-15 at a time on a weekly or monthly basis, and spend \$30,000 – \$200,000 on processing. The remaining customers only bring one or two head at a time, once a month or a few times a year. Smucker's customers sell through a range of direct/intermediated, local and regional marketing channels: food co-ops, small grocery stores, restaurants, farmers' markets, on-farm sales, pre-sale freezer meat (halves and quarters).

Demand for local meat is strong in the region and its urban centers: Philadelphia, Baltimore, and Washington, DC. This demand, and the fact that many farmers in the region are willing and able to provide the supply, is a large part of why Smucker's stays busy year round. While some individual processing customers have changed, the overall number of customers and livestock has held steady. Processing hogs, grain-finished beef, and dairy culls also fills out the year.

Over the years, the Smucker family has developed good working relationships with its customers in several ways. They visit each customer at least once, with free delivery of the first order, to see the farm and marketing operation. They also provide farmers with informal marketing help, at no cost: more business for their customers means more business for them. For example, when a local restaurant wanted more local beef liver, Mike introduced them to a farmer with extra. When that restaurant couldn't use all the trim from a different farmer they source from, Mike helped that farmer find another market for it. "We try to be a go-between. We keep our ears to the ground. We're not in competition, we're the processor. If you want to talk to each other, go ahead. We have everything to gain from it."

Smucker's also builds loyalty through its scheduling system, based on a waiting list. In the winter and spring, they are scheduled out for a month, and in the fall for two to three months. If a farmer calls hoping to get in quickly but no space is available, he will be scheduled in the next available slot, one to three months out, but will also go on the waiting list. Every week, Smucker's calls every farmer scheduled for the following week, to confirm that the farmer is coming and bringing the number of head originally scheduled. If one of those farmers cancels or will bring fewer head than planned – which happens regularly – Smucker's calls the next person on the waiting list to fill the hole. Making the calls takes one employee at least one morning each week, but that cost is more than paid for by having steady, uninterrupted work.

"We have proven to our customers that we can perform if they just trust us to do it," Mike explains. "Nine times out of ten, we can get them in earlier than we'd planned. It's last minute, but it works, and it works great. It buys us credibility when we can call them 2 weeks after they called, when they're on the schedule a month out, and say, you can come now."

That kind of credibility is important when tough decisions have to be made. In 2008, after analyzing their costs and margins, especially for value-added processing, the Smuckers realized they had to raise prices 25 percent to stay profitable. Yet no one called to cancel. Another price increase in 2010 had the same result. Since then they have managed to avoid additional price increases, due to increasing efficiencies as employees gain experience as well as adding new revenue streams through additional further processing services. They have also learned to charge for specific, optional services that raise their costs: for example, they charge for dry aging more than two weeks, because longer aging ties up cooler space and the carcasses, with more hardened fat, take more time to cut and trim.

Smucker's also tries to accommodate customer requests, for different cuts, certifications, and services. They hesitate to add something new unless it can eventually be available to all customers. Mike says, "Just because we're customized doesn't mean we'll do anything you ask." However, he adds, they are flexible. "If our customers can be patient and continue to hound us, we typically come up with good systems. It's not overnight. We have to plan how we're going to do it and what we'll charge for it."

For example, customers had asked them for years to make hot dogs. In 2010, they bought the specialized equipment, including a new smokehouse, an emulsifier, and an upgraded stuffer. Though hot dog production is still fairly small, Smucker's feels the significant investment was worth it. More customers are asking for hog dogs, and the smokehouse and stuffer have increased and improved their snack stick production, for which they will retrofit an additional two smokehouses.

Dog food is another example. Farmers had long suggested Smucker's make dog food, in part to convert offal into a higher value product, but Smucker's wasn't willing to make the upfront investment in time and infrastructure on their own. In 2010, they were approached by a dog food entrepreneur with a recipe and a brand name, ready to purchase and market the product but in need of a processor. With an actual customer in place, Smucker's was willing to create a dog food manufacturing company (Three Dog Bite) and begin setting up a facility. As of this writing, the venture is still a work in progress, but it may eventually return more revenue from offal than the rendering check. "We don't have to do this," Mike says. "Rendering is good now. It's not broken. But this is the best time to be doing it before it is broken and we have to find a solution."

## The Future

The Smuckers are somewhat cautious about the future of local meats and local meats processing, unsure whether and how long consumers will remain interested. The company is diversifying as much as possible, to cushion the blow if the trend reverses. Yet they are generally optimistic about growth.

If local meat production grows, Smucker's also will have to grow. They are currently close to 100 percent capacity, although they manage to do just a bit more every year. The main reason for this is that their employees are increasingly becoming more skilled and efficient over time, but the plant has also made production changes. For example, in fall 2011, they started slaughtering two days a week instead of one. On Tuesdays, they slaughter hogs, which they cut on Wednesdays. The cooler is then ready for beef and bison, slaughtered on Thursdays. This allowed them to increase their production volume, whereas before they were limited by cooler space.

Adding a third slaughter day would require another cooler, and any further expansion is likely to be comprehensive. A larger kill floor requires a larger cooler, cutting room, packaging room, value-added processing area, and so on. Yet in the meantime they are adding smokehouses, retrofitting their holding pens, and upgrading the kill floor to improve efficiency, not to do more in a day but to finish earlier.

### Key points:

- A prospective customer committed to Smucker's by funding the transition to USDA inspection;
- Providing high quality service and good customer relations for many years has solidified their position with the region's many small farms;
- The waiting list and weekly calls assure committed throughput and build customer trust and loyalty;
- Proximity to major markets is certainly an important driver, yet this is only one contributor to their success.

