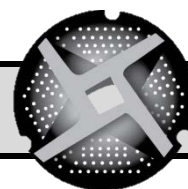


White Oak Pastures: A Case Study



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

"I'm in the processing business for my meat business. I'm in the meat business to stay in the livestock business." – Will Harris

White Oak Pastures, founded and operated by Will Harris, is a vertically integrated meat company with two on-farm slaughter and processing plants located on Harris's farm in Bluffton, Georgia. One plant handles mostly cattle but also sheep and goats; the other is for poultry. Both are Talmadge-Aiken ("TA") plants, inspected by state personnel on behalf of USDA-FSIS. All the meat and poultry are sold under the White Oak Pastures label, 90 percent to wholesale accounts and the rest direct to consumers through internet sales and a retail store at the plant. The flagship products are grass-fed beef and pastured poultry.¹

The red meat plant processes 130-140 head of cattle per week. About 10 percent are Harris's cattle, and the rest are sourced from sixteen farmers who follow his cattle raising protocols, all but one located within 40 miles of Harris's farm. The poultry plant processes 4000 chickens per week, year round, and 2000 turkeys for the Thanksgiving/Christmas holidays. Harris raises all the poultry and has recently added geese, ducks, and guinea fowl. The processing plants employ about 55 people.

White Oak Pastures grew from \$1.5 million in gross sales in 2008 to a little over \$10 million in 2010 and growth continues. Harris says his products are less "local" than "artisanal, place-based, and regional." Wholesale customers include Whole Foods, Publix, Tree of Life, Destiny Organics, and two distributors focused on restaurants and food service, Buckhead Beef and Halpern's. His products (case ready ground beef plus subprimals, very minimal case ready cuts; whole birds) are in stores from Miami, FL, to Princeton, NJ.

Harris is a fourth generation cattleman in a region where most farms have been tobacco, cotton, and peanuts for more than a century. The livestock business, he says, is "who we are, it's our legacy, it's our heritage, it's our lifestyle. I don't know who I'd be if I didn't have this." Harris grew up in the



¹ The company's three core values are animal welfare, environmental sustainability, and the "decommodification, decentralization, and deindustrialization of food."

commodity beef industry but eventually became disillusioned with the use of antibiotics, hormone implants, and feedlot confinement, as well as his lack of control over cattle pricing. He decided to bet the farm on a new business model: raising grass-fed beef, with no hormone implants or antibiotics, and selling it to direct and wholesale customers. "We want to farm a certain way: high animal welfare and a high level of environmental stewardship. You can't afford to do that in the commodity market."

Yet he also couldn't do it without a packing plant. He quickly grew out of his first processor, who wasn't willing to expand even if Harris paid for it. "If you've got a plant 200 miles away that will do a good job, cost-effectively, you need to do something nice for him every single month. But we didn't have one. We had to build one."

Harris invested a great deal of personal resources in White Oak Pastures, as cash and collateral, literally "betting the farm." The state of Georgia, Early County, and a key customer, Whole Foods, also invested in White Oak Pastures, making significant loans at favorable terms so that Harris could build the first processing plant.² The red meat plant, which opened in 2008, cost \$2.2 million to build, and an additional \$800,000 in improvements over time. The poultry plant, which opened in 2011, took longer and cost more than planned: the whole poultry program, including production, cost \$1.5 million but is now beginning to pay off.

White Oak Pastures turned its first profit in 2009, a year after the red meat plant began operations, after losing money the previous eight years during the transition from a commodity cow-calf operation to a grass-fed beef company.

Harris was able to build and staff his plants and can now retain his highly skilled employees because he already had committed markets for his product. As his plant manager explains, "It wasn't 'we're gonna kill some cattle and find somewhere to go with it.' If you have a perishable product but no market established, it won't work. A lot of people don't recognize that as the very first step."

White Oak Pastures has the advantage of being its own source of throughput: as long as they have sales accounts and can raise and buy enough livestock, the plants are busy. The red meat plant began at ten head per week and averaged 40/week the first year, 85/week the second year, and near the end of 2012 were at 130/week. The increase depended entirely on demand: picking up new accounts and expanding existing accounts.

Harris makes long-term plans with his farmer suppliers about projected delivery dates and numbers, but exact scheduling typically happens a week in advance. Larger farmers may bring 20 to 30 head at a time; smaller farmers will bring four to six. The plant manager makes the loads fit together for steady, even flow through the plant. Harris uses his own cattle as a buffer to assure consistent flow, filling in gaps left if co-suppliers cannot deliver as promised.

² OneGeorgia, Whole Foods Market Local Producer Loan Program, and Early County Development Authority.

White Oak Pastures does no fee-for-service processing for independent farmers; there is little demand. The few farmers who have inquired have been unwilling to pay what it actually costs the plant, on a per-head basis, to do the work. Those farmers, Harris notes, also had not yet created a market but “just had some cows.” Instead, White Oak Pastures, which has created markets, can provide local farmers with what most prefer: a premium price for live cattle. “They aren’t interested in direct marketing meat.”³

Downstream commitments from wholesale buyers have been essential to White Oak Pastures’ success as a meat company and therefore as a processor. “It’s fair to say that if the bigger wholesale demand didn’t come along when it did, as hard as it did, we might not have built the plants,” Harris says. “Or we might not have made it after we got them built.”

To acquire and maintain its wholesale customers, White Oak Pastures has committed to providing a consistent product, year-round. Originally, Harris only sold ground beef; his conventional cattle, when transitioned to fully grass-fed and -finished, did not grade well initially, so he ground the whole carcass. His region’s climate helped: year-round grass makes it easier to finish beef on grass year-round. He offered a year-round, consistent product, with desired niche attributes (grass-fed, no hormones/antibiotics, humanely raised), packaged to retail specifications, at a relatively affordable price point (compared with muscle cuts). It was attractive to consumers and therefore to wholesale buyers and established his brand and customer base, which was then ready to buy muscle cuts when he was ready to sell them.

White Oak Pastures also spends significant time and effort on maintaining the third-party certifications and associated audits required by those customers. The company and its suppliers go through about ten audits annually, including two specifically for Whole Foods.⁴ Yet Harris has not acceded to all customer requests: some retailers would prefer the case-ready ground beef to be in square, stackable packages rather than the current, more floppy packaging. Because the necessary rollstock machine costs more than \$100,000 new, the company decided not to make the change.

Whole Foods, as a key customer, does not insist on case ready cuts but buys the whole carcass, including trim, and receives it as subprimals. Selling on a whole carcass basis allows WOP to avoid piling up harder-to-sell inventory, which ties up cash and can lead to lost revenue. Selling subprimals saves the cost of cutting and packaging to case-ready. As noted earlier, Whole Foods also deepened its commitment by helping finance the plants with a loan through its Whole Foods Market Local Producer Loan Program.

Not many buyers can or will commit to buying whole carcasses. White Oak Pastures must be careful in soliciting new accounts, to keep a balance. “If we find a new ground beef customer, we

³ This is consistent with comments from many processors that when commodity prices for live cattle go up, many direct marketers disappear. Harris works hard, and pays well, to keep his suppliers committed to his brand.

⁴ The two for Whole Foods are Global Animal Partnership and an additional plant audit; the others include Animal Welfare Approved, American Grassfed Association, Humane Farm Animal Care, Good Manufacturing Practices, and a third-party assessment of the plants’ plans and processes.

have to find another middle meat customer to go with it," Harris says. "If we kill an animal, it's sold. There's nothing in our freezer except a little inventory for the internet."

Managing the changing needs of wholesale buyers can also be quite difficult. Orders aren't consistent, orders are promised but don't materialize, buyers change their terms without warning, and so on. For example, when a buyer raised the price it charges its own customers for White Oak Pastures product without paying any extra for the product, it reduced sales volume without increasing White Oak Pastures' revenue.

The Future

Harris believes that local, regional, artisan meats will grow as a sector but always as a niche, never mainstream. "We talk about more enlightenment and education among consumers. But this is a country of shoppers who don't care about environmental sustainability or animal welfare if it costs more."

Yet based on his company's growth to date, he expects that an increasing number of retailers and other resellers will be interested in White Oak Pastures products, which will increase his production and processing volumes. One challenge will be growing the supply: high commodity prices limit his ability to source more cattle from co-suppliers. "When people can sell a weaned calf for \$1000," he explains, "it's hard to own that animal for another year," to finish it on grass. The poultry plant still has excess capacity and room to grow, but the red meat plant, originally designed for 50 head/week and now at 130/week, is at capacity. The primary bottlenecks are limited hanging space and flat storage. Rather than expand the plant, Harris is considering partnering with or purchasing another existing plant.

Still, Harris expects that very few plants like his will be built and survive. "There's not a lot of free money out there to build facilities, and most of the people who could raise the money aren't going to work that hard and take the risk – and understandably so."

Key points:

- White Oak Pastures started as a meat company and had to add processing to grow;
- While there is not enough local demand for processing to support a fee-for-service processor, the company has created a niche market opportunity for local farmers;
- In this case, the commitment from wholesale buyers is the primary driver that supports production and processing. That commitment requires significant, ongoing maintenance and is not guaranteed.