



Values-based food supply chain case study: Country Natural Beef

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Origins of Country Natural Beef

In 1986, 14 Oregon ranchers formed a cooperative—Country Natural Beef—to escape the roller-coaster cycles of the commodity cattle market and achieve predictable, relatively stable, premium prices. For its rancher members, simply changing their mindset from producing for a commodity market to producing for a final consumer was a major transformation that paid off.

For the past 26 years, Country Natural Beef has negotiated prices with the retailers and institutions it supplies to cover its members' costs of production, a return on investment and a reasonable profit. In most years, the cooperative achieves this goal.

Country Natural Beef sets a priority on maintaining “every possible bit of independence” for its member ranches. Still, independence does not mean isolation. Internally, the cooperative's full membership reaches consensus decisions during general meetings. Externally, Country Natural Beef has developed close and stable relationships with a diverse set of supply chain partners.

Country Natural Beef grew slowly for its first 14 years and expanded more rapidly starting in 2000. In recent years, the cooperative has nearly 100 member ranches in multiple states that raise more than 100,000 brood cows, manage more than 6 million acres of land and sell almost \$50 million of products.

Key characteristics

Country Natural Beef distinguishes itself by the quality of its products and the story behind its production system. Country Natural Beef cattle are raised without growth hormones, antibiotics or animal byproducts and most are raised from birth on member ranches. The cattle spend less time in the feedlot (90 to 95 days versus 120 to 150 days for conventional beef) and are fed rations that are, to the extent possible, sourced locally and forage based, including potatoes, alfalfa, barley and some corn. As a result, Country Natural Beef's meat is leaner than that of its competitors, reaching USDA grades of “high select” and “low choice” versus the fattier “high choice.”

The rancher members share strong commitments to both animal welfare and sound environmental practices. The cooperative's “Raise Well” animal welfare standards were written and endorsed by Dr. Temple Grandin, a leading animal behaviorist. In addition, Country Natural Beef members have been actively involved in the development of the Global Animal Partnership standards. Country Natural Beef Marketing Director Stacy Davies notes the important marketplace impact: “This animal welfare thing appears to sell meat.”

On their ranches, cooperative members have developed pasture management practices that maintain grass, plant and wildlife diversity, water resources and healthy streams. All Country Natural Beef ranches are third-party certified by either the Global Animal Partnership or the Food Alliance, and in some instances, both.

The cooperative prides itself on its streamlined internal operations and low administrative costs. Money earned from the sale of cattle flows directly to individual ranching families, with few middlemen. Member ranches do not invest equity in the cooperative, and all financing relies on the proceeds of annual cattle sales. The cooperative owns no bricks, mortar, or trucks and therefore has no debt. It employs members who act as independent consultants and “internal partners” to handle key functions including production planning, sales and accounting. This approach allows the cooperative to limit management costs to less than four percent of gross revenue, but it requires a strong commitment to participatory decision making.



Country Natural Beef ranchers are required to participate in consumer outreach events.

During membership business meetings, Country Natural Beef uses a sophisticated format to ensure equal access in participation and decision making for all members. Member ranches may choose to participate in weekly conference calls and executive committee members further help facilitate communication with the ranches. From the beginning, the cooperative has been strongly committed to the full participation of women. Female candidates for organizational positions are common. In addition, conscious efforts are made to encourage and support the entrance of young and/or beginning ranchers into the cooperative, including second generation Country Natural Beef families. According to founder Connie Hatfield, "My definition of sustainability is when more than 25 kids below the age of five require daycare at our semi-annual meetings."

New members are only recruited when demand for Country Natural Beef exceeds supply. Each potential member must be nominated by an existing member and pass a two-year trial membership.

Strategic supply chain partners

Country Natural Beef has forged business partnerships based on the Japanese model known as "Shin Rai," or mutual support and mutual reward. The cooperative works with business partners that provide complementary services and expertise, and share basic values such as humane animal treatment and land stewardship. Country Natural Beef and its partners are engaged in a values-based food supply chain where everyone reaps the benefits of market premiums and price stability associated with an identity-preserved, high-value product.

A key production partner is Beef Northwest Feeders, which preserves the identity of the Country Natural Beef cattle and provides humane animal handling and non-antibiotic first treatment of ill cattle. AB Foods, another important partner, serves as both Country Natural Beef's butcher and financial/logistical associate. The co-op's rancher members individually sell live cattle to AB Foods, and Country Natural Beef buys back boxed beef cuts that the cooperative then seeks to sell. Any Country Natural Beef cuts that the cooperative does not buy back are retained by AB Foods at commodity beef prices.

Country Natural Beef has selected retail partners who share an interest in marketing high-quality, natural beef products to health- and eco-conscious consumers who are willing to pay premium prices. These partners maintain Country Natural Beef's identity on its products through to the final consumers. Retail partners include Whole Foods, New Seasons Market, Burgerville and Bon Appétit Management Company. The cooperative faces a significant challenge in balancing its mix of retail partners to ensure sale of the entire animal, rather than just the most sought-after cuts. All Country Natural Beef ranchers are required to participate in three events per year where they interact directly with meat cutters, chefs and consumers.

Responding to market conditions

The cooperative has responded to diverse market conditions in recent years. During the recession that began in 2008, it reduced prices so that, in the short run, the ranchers only covered variable and family living costs and did not earn a profit. Co-founder Doc Hatfield viewed this as the best way to maintain long-term viability: "We've lived off our equity before and can do it again. But we all must keep figuring out ways to better communicate to customers and consumers the values behind our products."

Later, when commodity beef prices moved sharply higher and some cooperative members quit to follow the easier (at least in the short run) mainstream market path, Country Natural Beef instituted a temporary waiver of the birth-to-plate requirement on cattle ownership so that sufficient supply was assured for key customers. The cooperative is willing to make dramatic short-run decisions in order to protect its' long-run viability.

A longer version of this case study (and related research) is available at two locations:

www.cias.wisc.edu/economics/case-studies-profile-mid-scale-food-enterprises/
www.agofthemiddle.org/

The Country Natural Beef web site is:
<http://www.countrynaturalbeef.com/>

For more information, contact:

Larry Lev, Department of Applied Economics,
Oregon State University, larry.lev@oregonstate.edu,
541-737-1417

Steve Stevenson, UW-Madison CIAS,
gstevenson@mailplus.wisc.edu



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