

MONTANA BEEF TO SCHOOL PRICING GUIDE



Montana Beef to School Coalition

Introduction

The Beef to School Pricing Guide provides you with resources for local beef procurement. This resource was developed by the Montana Beef to School Project, a three-year collaborative project between beef producers, processors, schools, researchers at Montana State University, National Center for Appropriate Technology, Montana Department of Agriculture, and various community partners. This material is based upon work that is supported by the National Institute of Food and Agriculture, U.S.

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For more information:

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Factors in Pricing

Is local beef more or less expensive to purchase than beef from other sources for K-12 school food services?

This is a common question asked to the Montana Beef to School Project. The answer is not a simple percentage difference and depends upon a variety of variables that are described in detail below.

Different cuts of beef (e.g., steak, roast, ground beef, etc.) sell at different costs per pound. Ground beef, a relatively low-cost cut of beef, makes up the majority of schools' beef purchases. Below are a few important factors to consider when comparing prices for ground beef products.

The following product attributes will impact the price of the ground beef that is being purchased:

Fat Content: Ground beef is typically sold with labeling that indicates the fat content of the meat. The range of fat content in raw ground beef is typically between 2% and 20%. Leaner ground beef (90% to 95% lean) sells for a higher price than beef with more fat. Many schools purchase beef that is less lean (80/20) and is also less expensive.

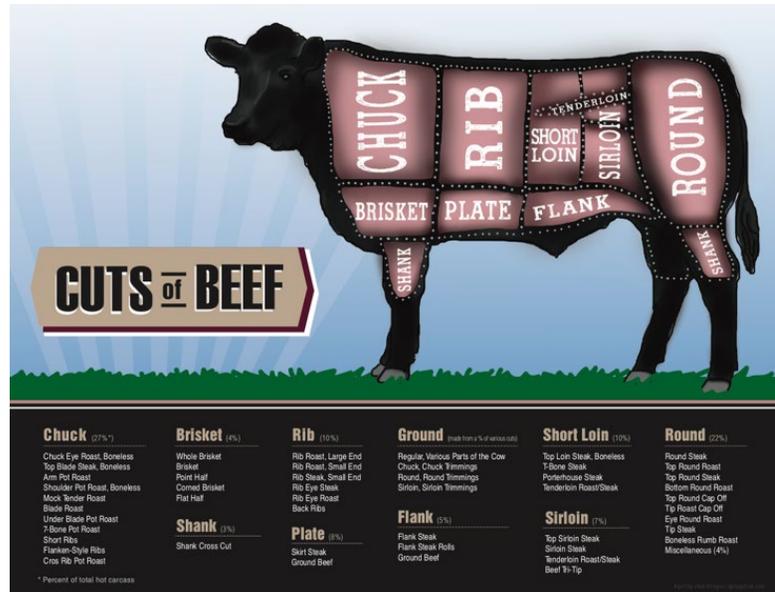
Grass Finished vs. Grain Finished: Most Montana calves are born in the spring and weaned in the fall. They are typically transported to a feedlot where they are fed a ration of grain (corn, soybean meal, etc.) until they reach slaughter weight. These animals are referred to as grain-

fed or grain finished. Some animals are raised in a pasture environment (feeding on grasses) until they reach slaughter weight. These animals are referred to as grass-fed or grass finished. Beef from cattle finished in grass-fed environment are typically more expensive than grain finished cattle.

Steer vs. Cull Animal: Both grass and grain finished animals are typically harvested in their prime age (12 to 30 months). However, some female cows are kept for breeding purposes until they are 10 years of age or even older. When these cows are no longer needed for breeding, they are culled from the herd.

Animals are culled for a variety of reasons and may be within prime age range. Cull animals sell for significant discounts compared to prime age animals and can yield lower-cost ground beef (often coincidentally grass fed).

Cuts: Cattle are processed into various meat products at a meat processor to be sold. A variety of beef products can be processed from an entire animal (see Cuts of Beef diagram below). These products vary in price and include



sirloin steaks, ribs, round steaks, roast, ground beef, liver, ox tail, and many more. Steaks are more valuable on a per pound basis than ground beef. Ground beef is usually made from the round of chuck. However, nearly the entire animal can be processed into ground beef if the customer prefers. If a recipe includes heavily seasoned ground beef, such as in taco meat, less valuable cuts or lower quality ground beef is perfectly acceptable. The quality of the cuts may also depend on the age of the animal, with prime age animals yielding higher quality cuts. Including the more valuable cuts in the ground beef mix, such as sirloin, effectively raises the price of the ground beef.

Processing Costs: A meat processing company charges a fee to process a harvest ready animal into various cuts (steaks, ribs, ground beef, etc.) of meat for the client. The pricing model for many small-scale processors is a fixed harvest fee per animal plus a per pound fee of finished product. A sample processing fee might be \$100 fixed harvest fee plus \$0.75 per pound. Therefore, an animal that yields 500 pounds of meat would have a total processing costs of \$0.95 per pound (((\$100 fixed harvest fee + 500 pounds * \$0.75 per pound) / 500 pounds), while an animal that yields 650 pounds of meat would have processing costs of \$0.90 per pound. Due to fixed costs of processing any animal, the size of the animal and the yield of product from a specific carcass is one factor that may impact the per pound cost of the final cuts.

Delivery Fees: Delivery fees may be in addition to processing fees and vary. In some situations, delivery can be obtained a low or no cost to the school but in other cases the delivery can be an important factor in the final price of the beef. This is a cost and service that should be inquired about up-front.

Additional Processing: Many of the larger food distributors may offer a variety of ground beef products. Two of the most common are frozen ground beef and pre-cooked ground beef. Pre-cooked ground beef is typically more expensive but saves the kitchen staff time (and thus money) by not having to cook the ground beef before utilizing it entrees like chili, tacos, and casseroles.

Storage: Some school nutrition programs have limited freezer storage space and may not be able to receive a large shipment of beef at one time. Meat processors may be able to store product until it is needed, but meat processors may also have limited storage capacity. Additional storage fees may apply if they school does not have sufficient storage capacity of their own.

USDA Foods: The USDA's National School Lunch Program provides participating schools with the opportunity to obtain certain foods at no cost to the school through the USDA Foods program, formerly known as the Commodities program. Schools receive an allotment to "purchase" the products included in the USDA Foods catalog. The USDA Food allotment is an important part of school food service budgets. The selection of available commodity foods varies each year and by state, but ground beef is commonly available through this program. Beef purchased through this program could be from Montana, but is likely from out of state, and is often less expensive than most other sources of beef.

Donations: Some schools receive a donated packaged meat, a donated live animal or donated processing fees. If a live animal is donated, the school may be responsible for paying the processing costs for that beef. A donation of cuts of beef, a live animal, or donated processing costs will lower the cost to the school.

After all of these factors are considered, can we answer the question if local beef more or less expensive? First, the USDA school lunch program does provide some ground beef to schools at very low cost and some schools receive donated meat (local and non-local) at no cost. Most schools will be purchasing at least some beef to supplement other meat sources. It can be generalized that the local beef is likely going to cost more than beef sourced by other non-local sources. However, the price premium will vary (e.g., from \$0 for a donation to \$5 per pound) depending on the factors described above.

Beef Price Comparison

How do the beef costs compare for K-12 school food services?

The following chart is intended to provide an example of costs. Beef prices change on a regular basis, but this example will provide at least one comparison between some of the different beef products that are available. As discussed above, the costs of beef (local or non-local) vary widely dependent on the exact product, market forces, and many other factors. All prices are for uncooked ground beef, 80/20 fat content or leaner, include all processing fees, wholesale pricing when available, 5lb packages where available, and were obtained November 2018 from five individuals including pricing for several sources. Prices from multiple sites were provided as ranges. Donation-based models were not included. Beef prices are dynamic and can vary significantly over time and locations.

Montana Grass-Finished	Montana Grain-Finished	Non-Local Grass-Finished	Non-Local Grain Finished	USDA Foods
\$3.25 – \$3.63/lb	\$3.55 – \$3.99/lb	\$4.69 – \$8.05/lb	\$2.32 – \$2.68/lb	\$2.28 – \$2.68/lb