



The Economics of Pacific Northwest Grass-Finished Beef: Investor Summary

OVERVIEW

Grass-finished beef is an important and growing production system that offers an alternative to conventionally raised, grain-finished feedlot beef. Grass finishing promises superior animal welfare, as well as a range of environmental benefits if approached using **rotational grazing** or a related practice such as **holistic management**. The USDA defines grass-fed (grass-finished) beef as beef raised with continuous access to pasture over its lifecycle.



Beef cattle are moved between paddocks at Lazy R Ranch in Cheney, WA -PHOTO BY MATT ZIEGLER

There exists a small, though growing, niche market for grass-finished beef in the Pacific Northwest, with a small-scale supply chain that is locally and regionally focused, and based on strong supply chain relationships between ranchers, processors, retailers, and consumers. There is growing interest in alternative forms of beef production, such as rotational grazing and holistic management. However, scaling up grass-finished beef to become a major player in the Pacific Northwest beef industry faces significant challenges. The three most important challenges identified by our producer contacts and the published literature are:

1. **Higher average production costs** related to slower cattle weight gain and longer time spent on pasture;
2. **Locally specific scarcities of available, nearby irrigated pasture** for finishing cattle on grass; and
3. **Supply chains that are not oriented towards grass-finished producers, including:**
 - a. **Lack of year-round supply** due to seasonal production constraints and regionally fragmented markets;
 - b. **Relatively few strong relationships between producers and slaughter facilities;**
 - c. **Lack of expertise in processing and preparation** for the retail or restaurant markets.

In general, according to existing enterprise budget data, grass-finished beef can be economically viable in comparison with feedlot beef, provided that three important conditions



are present: producers receive **premium prices** (our data suggests at least 20%), corn prices are not too low, and **average daily weight gain (ADG)** for grass-finished cattle are not too low (our data suggests minimum 1.75 lbs. / head / day). Grass-finished beef is generally not price competitive with feedlot beef unless corn prices are very high.

SUPPLY DRIVERS

- **Production Costs and Constraints**–Relatively slow daily weight gain, lack of available irrigated pasture, and seasonal weather conditions may all raise production costs and restrict available supply.
- **Infrastructure**–Cost-competitive, conveniently located slaughtering and primary processing facilities are important for ensuring supply, and are scarce in the Pacific Northwest.
- **Aggregation**–Bringing together product from multiple ranches in different locations offers producers opportunities to process and market at scale, as well as extend seasonal supply by taking advantage of seasonal differences across geographic regions.

DEMAND DRIVERS

- **Environmental Values.** In economic studies, consumers have revealed willingness to pay price premiums for locally/regionally raised, grass-finished beef. Animal welfare and environmental protection are frequently cited as motivations for purchase.
- **Health.** In general, grass-finished beef is leaner than its conventional counterpart. Some studies suggest that it is higher in omega-3 fatty acids, antioxidants, and vitamins A and E, though the results are not conclusive.
- **Marketing and Branding.** Consumer awareness is an important driver of demand for grass-finished beef. Storytelling and direct consumer outreach have helped alternative beef producers build trust in their brands. Consistent branding of local and regional, grass-finished beef in retail outlets remains an area for improvement.

OPPORTUNITIES

There is reason for optimism about the trajectory of grass-finished beef in the Pacific Northwest, given that the overall market trend is upwards. Consumers have revealed willingness to pay price premiums for grass-finished and locally raised beef. And there are key success stories in the development of niche markets and supply chains for Pacific Northwest grass-finished beef. Thus, we believe that despite the challenges, there may exist opportunities for profitable investment in grass-finished beef, provided that the investor pays attention to the following issues:

- If the investor is seeking to support an individual grass-finishing operation, look for one that can claim a **reliably high (> 1.75 lbs.) average daily weight gain (ADG)** on pasture.
- Seek opportunities to establish or strengthen alternative supply chain structures, including supporting the development of **aggregation firms** that can build relationships between regional producers, processors, and retailers, and deliver a year-round supply of beef to consumers.
- Seek opportunities to foster **partnerships between crop farmers and cattle ranchers.** As crop farmers seek to expand their methods of building healthy soils, there may be potential for synergies in rotating cattle grazing and crop production.

For more detail on the economics of grass-finished beef production in the Pacific Northwest see the full narrative that accompanies this investor brief.