

# MARIN SUN FARMS:

A case study in multi-species,  
multi-market, alternative  
livestock production

MARIN SUN FARMS  
100%  
GRASS FED BEEF  
*No Hormones - No Antibiotics  
No Feedlots*

LOCAL  
MEAT



# INTRODUCTION

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Farmers locally marketing their own meat and poultry know that it isn't easy getting products to market, even with strong consumer demand. Assembling and maintaining a supply chain – all the steps and partners that turn finished animals into *sold* products – is one of the most challenging parts of the job. Selling different types of meat into multiple market channels adds serious complexity to the task.

David Evans is a seasoned producer-marketer who leads Marin Sun Farms ([www.marinsunfarms.com](http://www.marinsunfarms.com)), a multi-species, multi-market channel business in the San Francisco Bay Area. He participated in a small group discussion with advanced livestock farmer-marketers who have mastered the basics of marketing their products and want to work with their peers to share strategies that will move all their businesses to the next step. The session, part of "Niche meat marketing for small- and mid-scale livestock producers in Oregon: understanding and managing risk," was funded by the Western Center for Risk Management Education.

The paper is organized into seven sections: an introduction to Marin Sun Farms, then a discussion of six key topics:

1. **Market channel trade-offs**
2. **Inventory management**
3. **Suppliers: challenges and mechanisms**
4. **Cost and trade-offs of retail outlets**
5. **Staffing challenges**
6. **Access to capital for expansion**

Evans doesn't claim to have solutions to all of the issues addressed in this case study, but he has years of experience with them. Through trial and error he has implemented some ideas and rejected other potential solutions to develop a suite of approaches that work for his operation. Small session participants brought their own ideas to the table. Here, Evans shares insights from his experience.

### ***MARIN SUN FARMS: WHAT IS IT AND HOW DOES IT WORK?***

Evans, a fourth generation rancher on the Point Reyes Peninsula in Marin County, CA, launched Marin Sun Farms (MSF) 12 years ago, just before grass-fed meats took off with a boost from Michael Pollan's New York Times article, *Power Steer*. He sells products from his own ranch and from a team of seven "co-producer" suppliers who meet his protocols: 100% grass-fed and pasture-raised, with no added hormones or antibiotics. Working with co-producers allows him to offer his customers a wider array of products at greater volumes on a year-round basis than he could produce alone.

### ***THE PRODUCTS***

MSF currently markets 30 to 35 beef, 25 hogs, 30 lambs and 1000 broilers on a weekly basis, with 25 goats every two or three weeks, as well as heritage turkeys, ducks, and eggs. Seasonally, egg volumes range from 55-60 cases per week at peak production to 20 cases per week in winter. About half the broilers come from his ranch and half from a co-producer. All the eggs are produced on Evans' ranch. Lamb and goats come from two co-producers. Co-producer relationships are discussed in greater detail.



Evans raises cattle and chickens on his 382 acre ranch in Point Reyes and another 500 acres down the road. Both sites are government leases, with restricted allowable uses, which is why he only runs beef cattle and chickens. In Marin County, April through August is the peak season for weight gain for grass-fed beef without supplementation although plentiful forage reserves allow him to maintain the cattle well, beyond that season. "I'm learning how to maintain my reserve tank, through stockpiling."

### **MARKETS AND SUPPLY CHAIN**

Measured by sales revenue, MSF is split about evenly between retail and wholesale market channels, though by volume much more goes into wholesale.

Evans started out at farmers' markets. "Had we known about metropolitan buying clubs at that time, we would have moved more in that direction. Farmers' markets are very labor intensive, very difficult." He started with two farmers' markets and recently added two more, for a total of four per week. MSF also has a 600 member CSA: members sign up for a monthly meat box on a 6-month or 1 year-subscription. Members choose one of eleven box sizes, and each box contains a mix of frozen retail cuts, from different species, based on seasonal availability.

In 2005, Evans opened a butcher shop and restaurant in Point Reyes, his home town, because he wanted something near the ranch. He also wanted more control over processing. While his beef slaughter has always been done at a USDA inspected plant in Petaluma, he had taken the carcasses to two different USDA inspected plants for cutting and packaging, the first in San Francisco and the second in Santa Rosa. In both cases, he had mixed results. "It cost way too much, no one cared for our product the way we did, and we were strange and new and they thought we wouldn't stay around, so they didn't give us their best effort."

Evans opened his butcher shop under a state license and was certified by the state for sausage making, smoking, and curing. Under USDA's retail exemption, he can bring carcasses slaughtered at a USDA-inspected facility into his shop for on-site cutting and retail sales. He uses four separate USDA-inspected slaughter plants for



beef, lamb and goat, hogs, and poultry. Because the state recognizes his farmers' market stands as a branch of the butcher shop, operating under the same license, he can cut, package, label, weigh, and price the MSF farmers' market product at the shop. CSA product is stored and organized out of the freezer associated with the Point Reyes shop.

Evans' retail shop has a commercial kitchen, where value-added products, "everything from stocks to tallow," are made. Sausage, jerky, smoked hams, and bacon help utilize and move inventory surpluses. The shop is also open for lunch with a small, simple menu – "every kind of burger you can imagine." The restaurant sources other local foods to round out the menu. Except for the burgers, the menu changes often, another way to use surplus inventory.

MSF added its second retail shop in 2010, in the trendy Rockridge district of Oakland. "I'd been looking for another retail space for some time and finally found one with a proven customer base. Another butcher shop, with all the equipment, was losing its lease. We moved in and still aren't making money but we are figuring it out."

MSF sells wholesale to grocery stores, restaurants, and institutions, including corporate and university campuses. Four wholesale sales staff handle those accounts, selling to restaurants, institutions, and small stores. Product for wholesale markets must be cut and packaged under USDA inspection, so MSF now does this in leased space at a USDA inspected plant in San Francisco.

Evans has been very pleased with the lease arrangement. "I got really lucky. I had been looking around for plants. One day I happened to be picking up pigs at a plant and noticed how empty they were. I proposed to them, 'I'll bring my staff and meat in and work on a monthly fee.' They loved it. We use at least three-quarters of their space, resources, everything."

MSF distributes product out of the San Francisco facility with its own fleet of vans. The vans also deliver to the two retail shops, which are treated in the MSF distribution system as separate wholesale accounts.

# MARKET CHANNEL TRADE-OFFS

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*A diversity of market channels means diversified risk but it also means increased complexity. Which channels are most profitable? If Evans had to choose one, which would he choose?*

“We have a lot of irons in the fire. The CSA is the best enterprise.” CSA orders are filled with frozen meat. Freezing reduces the need to move the whole carcass immediately, which gives MSF more time and flexibility in selling the parts. The CSA customers are personally invested in the company. “That makes so much difference. We’re doing everything we can to grow the CSA. It’s ultimate flexibility; ultimate community.”

*What about customer service?*

*Doesn’t every person who buys \$500 of meat want 3 emails, phone calls, and a ranch visit?*

*A wholesale account might require one phone call per year.*

That’s true for MSF, but Evans solved the customer service problem by hiring a CSA manager. With 600 members, the manager takes all the calls, and is someone who loves that kind of customer service. The CSA manager also is building an online CSA database and managing the just-launched online store. The CSA page of the MSF website gives members recipes and information about cuts. Soon it will host a community forum where members can connect and trade product, and ask and answer one another’s questions. Some members prefer individual attention, but most recognize the web system as a necessary efficiency given the size of the CSA. Evans knew he needed help with the CSA. “I couldn’t handle it all. I got away from farmers’ market and retail sales completely.”



Margin is much higher on the product sold at retail through the butcher shop, but overhead and customer service quickly whittle it away. “Our policy is, ‘No customer leaves unhappy,’” even on the border with Berkeley, where customers can be very demanding about food. Evans’ justification for the policy is that retail stores depend on returning customers. “If one person is upset, that’s 40 people who won’t come in, as opposed to 40 more who will.” So far, local customers have not been kind to the Oakland shop: “Look at Yelp – we’ve got terrible ratings! ‘Worst place I’ve ever shopped.’”

Evans notes that each market channel has its pros and cons. He tries to keep a fairly even split, though often the balance leans toward wholesale. Wholesale is great for moving large volumes with less effort. Wholesale customers also know how to handle the product properly. Price competition can be a problem. “Once you have a good system, you can flow a lot more product through it. Opening another store is everything-expensive . . . capital, emotion, everything.”

# INVENTORY MANAGEMENT

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MSF tracks inventory physically – looking at it and counting it – once a week for a freezer the size of a shipping container – and twice a week for fresh inventory stored at the San Francisco facility. Inventory takes a lot of time, yet there isn't enough control on a daily basis. Counting twice a week isn't enough when you're moving 35 head each week. "There are security issues. How do I know that someone hasn't devised a way to take 5 tenderloins a week?"

Inventory systems are expensive but necessary for such a dynamic business. "A quarter carcass rolls in, and you break it into X number of pieces, bone in, bone out, Y number of steaks, and so on. You can't stop at every break and enter it into inventory." A strict process with a bar code system can solve that problem, yet doing so means giving up some flexibility and approaching an assembly line process. A "shift sheet" could work, to track "out of cooler" and "in the cooler." MSF is trying to improve how it tracks receiving, as product is transferred from one facility to another. Paperwork accompanying the product lets the buyer confirm that what was ordered has been received, yet this information is not useful for a system-wide inventory until it is entered into an integrated inventory system.

Ultimately, Evans would like to be able to access a real-time inventory, to know how much of which product is in each of his three inventory-holding locations at any given time. A participant in the small group session mentioned an online, real-time, inventory tracking system recommended by Sherry Salatin of Polyface Farm. When a product is ordered, even online, it is taken out of inventory automatically. However, there is no bar code system, so the number of packages of each product still must be entered each week. The group also discussed the shortcomings of QuickBooks, including its lack of a price per pound function. MSF has updated to the most powerful QuickBooks available, but Evans suspects they will grow beyond it at when they implement a new inventory system.

Improved inventory tracking is a top priority for early 2012, and Evans recognizes that bar coding and inventory will demand another full-time staff person. "We try to build systems. These are all people systems. You've got your meat side, the product you have. And you've got your people side. It's important that everyone know that all these knots are tied, that we have a way to check everything."



# CO-PRODUCERS: CHALLENGES & MECHANISMS

## CO-PRODUCER: CHALLENGES AND MECHANISMS

*How does Evans work with co-producers?*

*How has he managed to stay competitive – and how can he grow – with today's record high commodity prices?*

Evans' seven co-producers assure a year-round supply, at significant volume, of an array of livestock products. While he intends to integrate more production on pastures he manages, leasing land as it becomes available, he is also adding more co-producers and expanding their contributions. For example, his broiler co-producer has added ducks and turkeys. Too many co-producers for the same product can be a challenge. Over the years he has worked with many small lamb producers, but with many different pastures, the product was inconsistent. Today, one co-producer with a 5000 ewe flock on several thousand acres of irrigated pasture and hill ground provides all the lamb. Another producer in the same area supplies all the goats. These producers are conveniently located near the lamb and goat slaughterhouse in Dixon.

Current record-high commodity prices have made it hard to find enough livestock, and Evans expects that MSF will struggle this winter to meet current demand. Other cattle buyers, he notes, are ruthless, and it's hard for MSF to compete. Whole Foods, for example, buys grass-fed carcasses for \$2.50/lb hanging weight; MSF would lose money at that price, because his operating costs are higher. When he can't offer co-producers the same price, they often jump ship to the highest bidder. "I thought good long-term relationships were enough, and sometimes they are, but not always." All of Evans's relatives are cow-calf operators, and he would buy from them but he can't compete with commodity prices, especially when MSF co-producers must take more of a risk by holding the animals longer for finishing. "The beef market wasn't supposed to stay this high! People say that when the market balances out, we can come down slowly, balance it out. But it hasn't fallen. Is this the new normal?"

MSF is also squeezed because it's not certified organic but its prices are equivalent to organic producers. Many of his customers want him to sell poultry fed certified organic grain, but no one wants to pay \$8.00 per pound for chicken these days. "We're not in that market anymore. That was when people had more disposable income. But we are moving forward to meet those customer demands in 2012, even if we sell less chicken."

MSF pays suppliers based on hot carcass weight; the only exception is lamb, for which pay price is based on live weight but adjusted for expected yield. Yields definitely vary, in part based on genetic variation, which Evans does not control for and doesn't feel he can dictate to co-producers. MSF grades carcasses on quality, based on marbling, when they come in; payments can be adjusted for that grading. If a co-producer brings in 10 beef, with 1 prime, 2 choice, 5 select, and 2 lean, the leans are a risk for MSF because they may not be a decent eating experience. When Evans proposed adding grade to his price structure, to give a premium for prime, pay his base price for select and choice, and pay less for leans, his co-producers balked. "They



know I need my beef, so they resist going into a contract like that.”

MSF also does four yield tests per month on a complete carcass breakdown, the full cut-out. That small sample informs the pricing structure. “Your pricing is set in stone, so yields dictate how well you do.” Evans would like to estimate profitability per animal, based on yield. To do this, he needs carcass cut-out numbers on every carcass, ideally accompanying the inventory system. Knowing which animals make more money would be information he could use to give his co-producers goals to shoot for. That said, heavier animals mean more return, because fixed transportation and processing costs can be spread over more pounds of meat. He also notes that while yield is important, it is a hard number to be precise about, due to estimating carcass shrink during chilling and the weight of rumen contents when live weight is taken.



# **COST AND TRADE-OFFS FOR RETAIL OUTLET**

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Opening the Point Reyes butcher shop cost \$150,000 in capital investment. That figure included equipment and facility upgrades and \$50,000 to restock the commercial kitchen, but no labor. Evans had only wanted to open a butcher shop; he didn't intend to go into the restaurant business. The county zoning department had never before permitted a butcher shop and was extremely cautious; they wanted him to stay consistent with the building's prior restaurant use. His decision to do so allowed him to avoid a more costly permit review process, but he then had to outfit and staff the butcher shop and restaurant at the same time.

After 6 months, despite great reviews, sales weren't even close to the volumes necessary for the enterprise to have enough cash flow to survive. Evans had not yet mastered wholesale pricing, so the retail shop and farmers' market were MSF's only revenue sources. He was losing money, digging into his credit, but felt he couldn't fire people, because he'd hired friends from his small community. Evans worried that if he closed the restaurant and kept the shop open, the county would close him down entirely.

Then everything changed. "I was saved by a natural disaster," when the local river crested its banks and flooded the shop. Evans carried flood insurance, and the site was a FEMA property. He lost about \$30,000 but could start over. "I laid off everyone. We reopened as just a butcher shop, with only three of us, focusing on farmers' markets. We started making money right away." They shifted meat processing to the leased space in San Francisco. Since the flood, the shop has still struggled with cash flow, but he and his expanded crew, have made it work. Most of the profits are reinvested into the business. The shop has also had a lot of expensive labor turnover; Point Reyes Station is a very small town and a hard place to find the right employees.

Given the choice, in retrospect Evans would have opened the butcher shop without the commercial kitchen and restaurant, outfitting the shop with the equipment needed to render bones and make limited value-added products, like bacon, sausages, and smoked and cured products. Those products usually make money because they turn the trim, end meats, and other product that might otherwise be wasted into salable product. On the other hand, a commercial kitchen does allow the crew to entice restaurant customers to buy and try something new: a value-added product, a soup, partially-prepared foods, or roasted chickens.

Evans also believes in the power of an on-farm location, if the farm is near a town or a well-travelled road. Combined, farm and shop are a destination where customers can see the animals and buy the products. Many of these customers want to tour the farm and meet the farmer. "This is how Joel Salatin does it. If it works on your farm, if you've got the space and can invest in your own place, it makes good sense."

Though off-farm, the Point Reyes butcher shop does not survive on foot traffic or people passing by, but also has become a destination. The restaurant has re-opened and is now doing well, bringing people in who then buy meat. Much of that success is due to the individual staff members: their styles and how they relate and provide service to their customers. The menu is a draw, with something made in-house transforming each burger a gourmet burger.

# STAFFING CHALLENGES

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Evans has learned from the beginning, and sometimes the hard way, how important it is to choose the right employees. The first restaurant failed and the shop struggled because he was stretched too thin and relied on the wrong person. Now, with the right people, it's working. Even so, he says, it's been a tough year for human resources – not least because proper procedures and labor regulations have had steep learning curves.

“When you look for managers, you need to afford the right people. There are a lot of poorly qualified people on the marketplace. I know it's a ‘buyer's market,’ but even when you get many applicants for a job, you look hard to find even a couple of people with the right qualifications. Who among the unemployed has butcher shop management skills? Who has supervisory management, customer service training?”

His early staff included friends who weren't qualified, people looking for a new skill set, and a retired butcher who mentored them. “Every day was a mess. I don't know how we accomplished anything.” When Niman Ranch closed its Oakland processing plant, the lead Niman butcher walked in and asked whether Evans was hiring. Evans says he is the best butcher he ever met. “He's a magician. Usually you get 4 flatirons from a carcass. He can get 9 and you can't tell the difference.” Evans had to pay a lot more than he thought he could afford but realized immediately that the highly skilled, experienced butcher was well worth it. “We were getting cuts we never thought we could get. The efficiency was really worth it.” Lesson: to get the expertise you need, you may have to take a risk.

Evans looks for butchers who know the whole carcass. Someone with 20 years' experience cutting at Safeway may only know how to portion-cut primals. Evans finds it hard to compete with the butchers' union on pay and benefits; salaries may not be high but experienced butchers expect a big benefits package.

In the San Francisco Bay Area, butchers have rock-star status and everyone wants to cut meat. Yet Evans has had no success with “wanna-be” butchers. “There's this glamour, hipster following around meat now. But the sacrifice it takes to become a journeyman butcher isn't there; they likely have not gone through the steps to learn the trade. I've hired people who think they're cool, doing this cool thing, and want \$20 per hour. But no, it's not just cutting a steak or breaking an animal. It's getting everything off the bone and selling it all.” He also sees a difference between rock star butcher individualism and the team dynamic needed for an enterprise like his. Eventually, Evans hopes to start an internship program, but always, his first priority is moving meat out the door. Apprentices can slow down the line. One short session participant explained that his farm internship program always tries to start interns six months apart, so that the more experienced intern can train the new intern on the basics.

# ACCESS TO CAPITAL FOR EXPANSION

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Evans' vision for Marin Sun Farms is primarily regional. He would only grow nationally if he could replicate his current co-producer, processing, marketing, and distribution chain around other metropolitan areas, fully aimed at metropolitan foodshed sustainability. Other regions should support their own grass-fed, sustainable producers, he argues. The chain he has painstakingly developed could work well in other regions, with regionally produced meats. Yet there is still plenty of room to grow in his home region, and growth will require capital. Evans bootstraps as much as possible, reinvesting his profits, but he is considering outside investment. This kind of enterprise is a huge challenge, because the large amount of inventory he holds ties up cash.

The first time Evans looked for an outside investor, he had success with a small family loan that seemed huge at the time. But as a pioneer in his family, he avoids getting relatives overinvested monetarily, in case things don't work out.

More recently, people involved with Slow Money have offered micro-loans of \$25,000 - \$30,000, which could be good for farm-level production, for example to expand a pastured poultry operation. Yet even with great terms, the micro-loan would not be worth the effort for MSF because \$25,000 will buy only one piece of meat processing equipment. Instead, Evans seeks an investor willing to put in the \$100,000 - \$200,000 that would permit significant growth. He is also shopping around a business plan to buy and operate a dedicated slaughter facility, for which he estimates he needs to raise \$3 million. Some angel investors have expressed interest in sustainable meats, processing in general, and MSF in particular, but that interest hasn't yet produced signed checks. Such a leap will require changes to the MSF business model, including new risks in marketing, inventory purchase terms, and payment terms.



# CONCLUSION

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David Evans has grown Marin Sun Farms from a big idea to a solid company, delivering delicious, local, sustainably-raised meats to satisfied customers all around the Bay Area. Selling a suite of different, perishable products to many different types of customers with different wants and needs is a complicated juggling act. But Evans wants it this way. "I like to be challenged, and I love to learn from that stress. I was not yearning for an easy, turn-key small business. I want to create a real improvement in my surrounding ecology, from field to the fork and the experience that endures."

