

MSU Product Center

For Agriculture and Natural Resources

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Fresh Beef – Few opportunities

Market drivers that provide few opportunities

- Fresh beef products that appeal to the demand driver of **value** have few opportunities.

Specific opportunities

- In order to appeal to the demand driver of value a firm needs to be able to offer the product at the lowest price. In order to do that, the firm must be the low cost producer of the product. Generally speaking in order to be the low cost producer of the product a firm needs to take advantage of economies of scale. Large firms that handle large quantities of the product generally have a cost advantage. Small firms are generally at a disadvantage.
- Consumption of beef in the Midwest is higher than in other sections of the country.
- Ground beef is generally the least expensive use of beef and accounts for most of the beef consumption.
- There may be opportunities to provide low cost organic beef products. Sales of organic meat (including pork and poultry) have increased by 365 percent from 2001 to 2004.
- Low income households eat more beef than more affluent households.

New product examples

- There are few, if any, new product introductions in the fresh beef industry. The industry and the cuts of beef are well established.
- This fact creates opportunities for entrepreneurs interested in developing new beef cuts, or new markets.

Special issues

- The industry is becoming more and more concentrated from the farm through the table. Firms such as Tyson's are major firms with well established supply chains.
- As such these firms have captured economies of scale. It would be all but impossible for a new firm or individual farmer to compete solely on the basis of value.
- Beef has many substitutes; the most important substitute from a price perspective is chicken.

Keys to success

- Consider the level of competition, and how competitors may react to you. Be sure that you are the low cost producer if you are going after the value market.

Sources

Mintel. Red Meat.

_____. Global New Products Database.