



Heritage Meats: A Case Study

This case study is excerpted from the report, "From Convenience to Commitment: Securing the Long-Term Viability of Local Meat and Poultry Processing" by Lauren Gwin and Arion Thiboumery, published June 2013. The central conclusion of the report is that stronger, more regular business commitments between small processors and livestock producers are essential to grow the local meat sector. The report includes twelve case studies: seven successful processors and five public-private collaborations to support local meats processing. The case studies and full report are posted here: www.nichemeatprocessing.org/research

"What I have found out for my business, I started thinking if I build it, they will come, but I found that if you build it, they will only come if you go out and get them to come." – Tracy Smaciarz

Heritage Meats is a small, USDA-inspected cut and wrap facility in Rochester, WA, that provides fee-for-service processing of all red meat species for independent farmer-marketers and retail butcher shops. They fabricate to subprimals, boxed meats, or case-ready cuts (paper-wrap or vac-pac) and make some value-added products. The plant has a custom-exempt side for freezer beef customers and a very small retail-exempt meat counter. The company's primary source of revenue is its own meat sales to high end restaurants in Seattle and Portland; the second source is fee-for-service USDA-inspected processing.

In 2011, the plant processed about 1000 head of cattle, 1000 hogs, 200 lambs and goats, 20 buffalo, and 40-50 deer and elk. Gross sales were \$960,000, up 30 percent from 2010, and the company turned a profit. The plant has 7 full-time staff, including 4 meatcutters (not including the owner).

Owner Tracy Smaciarz has built his business around local (<150 miles) and regional (OR, WA, ID) meats with certain core qualities: transparency and traceability, animal welfare, limited use of antibiotics, and no hormone implants. His father started the company in 1977 as a custom-exempt shop in a detached two-car garage. Tracy took over in 1996, and in 1999, inspired by rising interest in niche meats and local butcher shops, and dwindling demand for custom-exempt cutting, he began looking for a larger location to expand into retail meat processing and wholesaling. He opened his new shop 2006 and transitioned to Federal inspection in 2009.

Heritage Meats has about 200 processing customers, most within 100 miles and the farthest 300 miles. About forty require USDA-inspected processing; his five largest customers regularly bring 30-50 head per year. They sell retail (farmers' markets, food co-ops, farm stands, CSAs) and wholesale, including the Bill the Butcher regional chain. Most of the other 160 processing customers bring only one or two animals per year, for custom-exempt processing for quarter/half carcass sales; the largest of these brought 25 beef in 2011.

Heritage Meats uses two strategies to stay busy year-round. First, Smaciarz's own meat sales – 6 hogs and 2 beef each week, purchased from local farmers – provide a consistent base. He sells the meat to high end restaurants, retail food co-ops, and another farm's CSA. He originally wanted to

focus on processing for other farmers for their own markets. “I want to help these growers. I have this passion for promoting their products, and I put them in front all the time,” he explains. But he also needed to keep his plant busy. “I had to go out and create sales to provide enough throughput to keep my business afloat.”

Second, Smaciarz helps his processing customers grow their businesses and therefore their demand for processing. He reviews farmers’ marketing plans and offers guidance, including carcass breakdown information (e.g., cut variety and trade-offs), seasonal shifts in demand, wholesale pricing strategies, and how to approach wholesale customers. “I train them to sell their own meat.” He does test marketing for farmers who have high-quality, consistent product and want to sell to restaurants, retailers, and other wholesale buyers. He facilitates farmer-buyer relationships, e.g., linking farmers to a regional chain of urban retail butcher shops that buys whole carcasses, and helping others find enough ground beef customers to balance sales of high end cuts to restaurants.

He provides freezer storage¹ as well as distribution services, which can be very challenging for small, local farmers. Even when restaurants and food service companies want local meats, Smaciarz says, the cost of getting small batches onto the mainstream delivery trucks that service those potential customers can be prohibitive. Mainstream distributors also require processors to have certain safeguards that may be cost prohibitive to implement at a small scale, for example, running all product through a metal detector. Smaciarz helps his processing customers by bringing their products on his truck when he does his own deliveries to Seattle and Portland. “I’m able to get a small load of product delivered at a reasonable price for these growers, which will offset a lot of the cost. I’ll take one truck and make six to eight stops in Seattle. The money is going to the farmer instead of to the distribution warehouse.”

Smaciarz has also relied on customer commitment to survive hard times and then to expand his own business. In 2009, he nearly had to close after discovering that \$100,000 in cash and product had been embezzled from his business. Yet his plant was a critical link in the supply chain for farmers in the region. He was then on the board of the Puget Sound Meat Producers Cooperative (PSMPC), founded in 2008 to improve access to inspected slaughter, using an inspected mobile slaughter unit (MSU; see box on MSUs on p. 24). But without an inspected cut and wrap facility, farmers still couldn’t get their meats to market. Two farmers, also PSMPC board members, invested in Heritage Meats. Smaciarz began processing under USDA inspection in April 2009; the PSMPC MSU began inspected operation later that fall. Heritage now does the cut and wrap for most MSU users, though actual numbers have so far been significantly lower than originally estimated.²

¹ This can be quite challenging when those customers don’t track their own inventory and don’t understand carcass yields. Smaciarz describes a customer upset about “lost” product: “He thought there should be more. But he already had them all.”

² The feasibility studies for the MSU predicted much higher use largely because (a) direct marketing is complex and challenging, and prices for live animals are currently high, that many are choosing not to direct market, and (b) the MSU now has competition from other inspected slaughter plants now willing and able to work with small producers. The MSU is slowly but steadily ramping up production. See [NMPAN’s PSMPC case study](#).

Although Heritage Meats is finally profitable, costs are still high, budgets are still tight, and capital for new or upgraded equipment or expansion is still hard to find. “When you’re in rapid growth like I am, it’s hard to save money for problems, like equipment failure, because you can only think, I need to get ahead of this before it eats me alive.”

However, several of his regular processing customers are willing to help pay for aspects of the business they would like Smaciarz to have, such as a cooked meats room that can operate under inspection. He has long made value-added products like bacon, ham, pepperoni, and jerky, under the retail exemption, but his processing customers cannot sell retail exempt products. If he makes them under inspection, they can sell the products to their own customers. USDA requires a separate cooked meats room, with upgraded fans, paneling, ducts, and electrical work, and additional equipment. Investment from customers will allow Smaciarz to get the room built and operational much more quickly.

Smaciarz has to communicate with his customers regularly about why processing costs what it does. He has found that while many people want to work with a small butcher, they don’t want to pay what processing actually costs at a small scale, in customized batches. “The transition from doing two beef for one person to three pork for another costs time and money,” he says. “That’s the challenge of a small plant environment.” He will give customers volume discounts after they have established stable, regular cutting orders but not if they have a lot of “custom” specifications that are very labor intensive, such as portion cutting or one steak per package.

Communication is not always easy. “I remind them we’re in this together. We’re working together to solve that link between what the consumer wants and what you want and what we can do on a limited budget.” Yet he is also trying to increase efficiencies everywhere he can, which might eventually allow him to lower his prices to farmers.

The Future

Smaciarz estimates that his plant currently operates at only 25-50 percent of its true capacity, though in the fall this is close to 100 percent. Yet he is optimistic about the future of local meats in his region. “It’s growing by leaps and bounds from what I can see, and that’ll have a positive effect on my business.” He knows he needs to continue actively to facilitate that growth.

Key points:

- Helping farmers with marketing and distribution expands their businesses and their need for Heritage Meats;
- Despite a loyal customer base with a few larger-scale key customers, Heritage needed to become its own key customer, by creating a meat company;
- Investment from committed customers has been and will continue to be essential;
- Heritage Meats is a critical partner for the region’s meat producer cooperative and their mobile slaughter unit.