



Practical Farmers of Iowa

January 16 & 17, 2020

Thursday

#1 - Overview & Background

- Context
- Business Model
- Early History
- Customers & Value Proposition
- Products
- Team
- Suppliers
- Processors & Carriers
- Funding & Financials

#2 – Issues & Strategies

- Producer Relationships
- Production Standards
- Meat Quality Improvement Program
- Processing Issues
- Whole Animal Utilization Strategies
- Marketing Strategies
- Management Systems

Context: Demographics



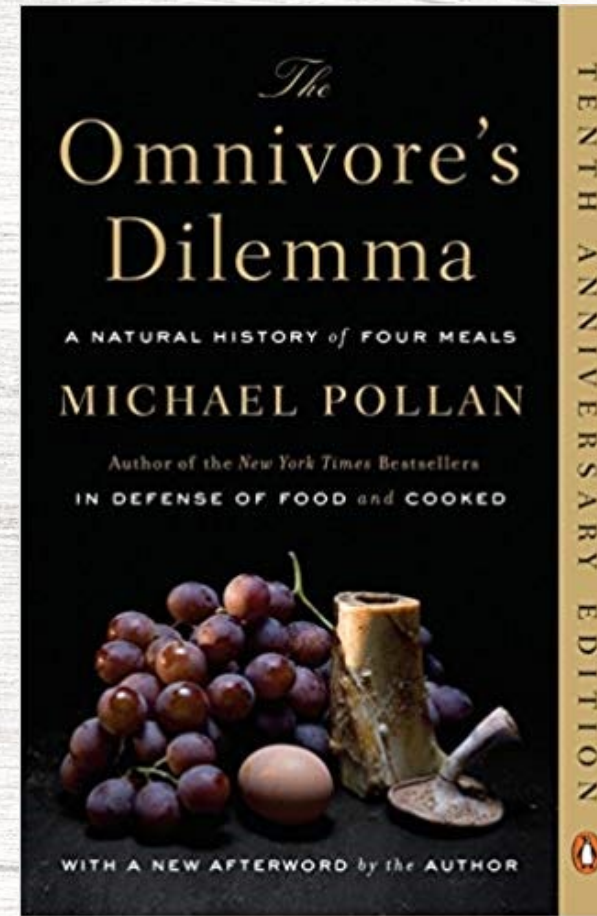
North Carolina

- Surface Area: 145,746 km
- Population: 10.3M
- Density: 72 people/km
- Farm Operations: 46,400
- Acres in Farming: 8.4M
- Hogs: 9.2M
- Restaurants: 19,504
- Household Income: \$53,000
- \$ on Groceries Per Person: 3,400

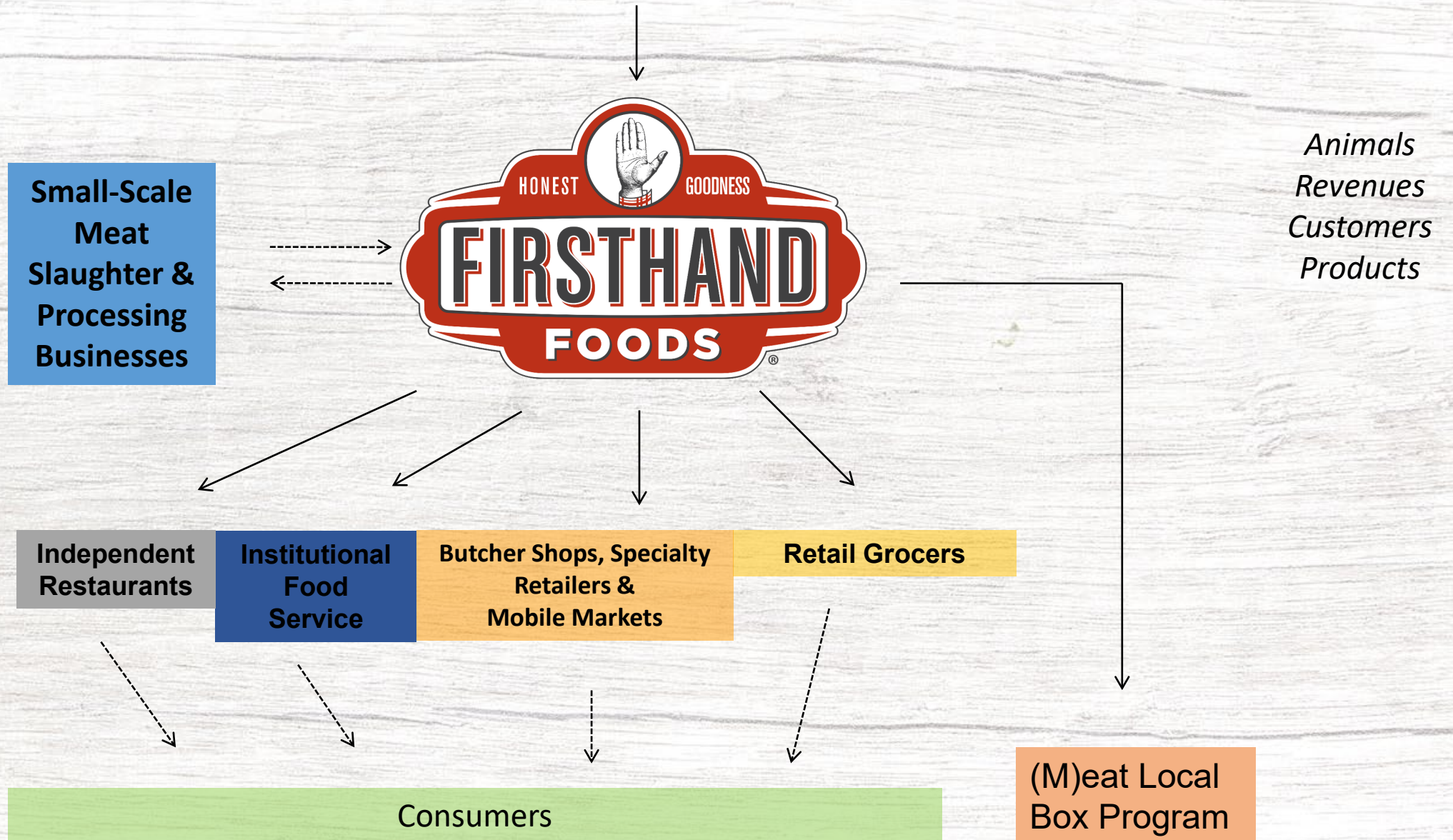
Iowa

- Surface Area: 139,391 km
- Population: 3.1M
- Density: 22 people/km
- Farm Operations: 86,000
- Acres in Farming: 30M
- Hogs: 23.6M
- Restaurants: 6,285
- Household Income: \$58,000
- \$ on Groceries Per Person: 3,400

Context: Market Opportunity (2006 – 2010)



Independent Livestock Producers



Early History: Not About the Meat



Incubation Period - Pilot



NCSU | NCA&T | NCDA&CS



Funding & mentorship were key to our early success

Launch: Farmhand Foods (?) Sausage Wagon



Restaurants (started in 2011)

Value Proposition

- **Local**
- Fresh
- Convenient
- No minimums
- Never-Ever Claims
- Pasture-Raised / NOT Grass-fed
- Convenient & Professional
- Transparency
- Customizable (came later)



Institutional (started in 2013)

- Value Proposition
 - **Local**
 - Humane
 - Never-Ever Claims
 - **\$5M Liability Insurance**
 - **Food Safety Audit**
 - Bulk-Buy Pricing (came later)



Retail & Specialty Grocers (started in 2015)

- Value Proposition
 - **Branded !!!!!!!**
 - **Local**
 - Fresh
 - Never-Ever Claims
 - Pasture-Raised / Not Confinement
 - Cut to Order/No Minimums
 - Wholesale pricing



Mobile Home Delivery (started in 2016)

- Value Proposition
 - **Branded**
 - product photography
 - **Local**
 - Frozen
 - Never-Ever Claims
 - Consistent fabrication



Direct to Consumer (started in 2011)



FIRSTHAND
FOODS
Pasture-Raised in North Carolina

EAT
pasture-raised meats

EXPLORE
novel cuts

CONNECT
to remarkable local farmers

TRY OUR
(M)EAT LOCAL BOX!

squareup.com/market/firsthand-foods | firsthandfoods.com



FIRSTHAND
FOODS FREEZER
Inventory Clearance Sale!

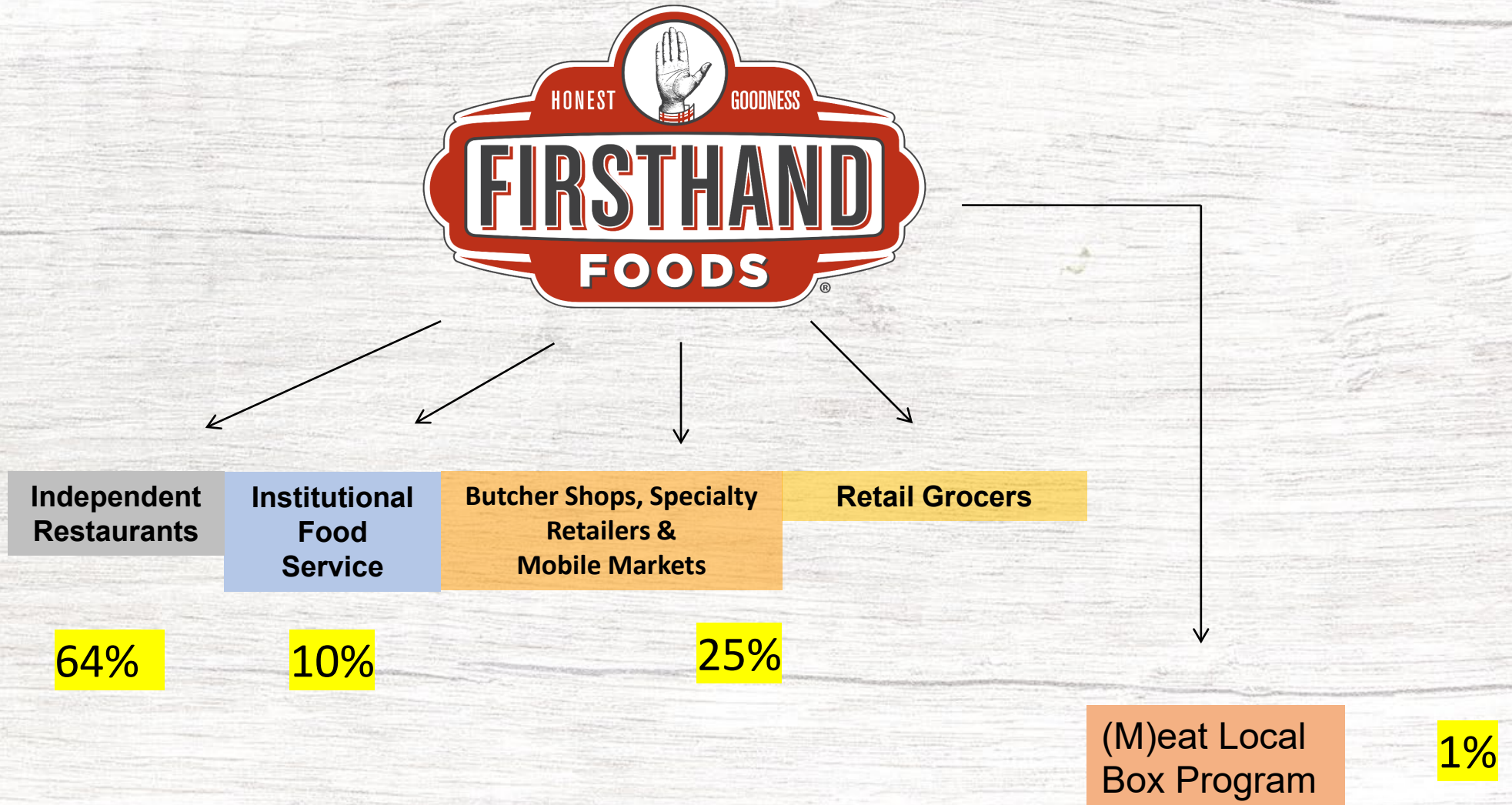
SATURDAY
JUNE 8TH
10AM - 1PM

BE A HERO AT THE GRILL!
STOCK UP ON STEAKS
AND SAUSAGES!

— THE ECO-HUB —
2210 E. PETTIGREW ST. • DURHAM



Percent of Sales by Channel



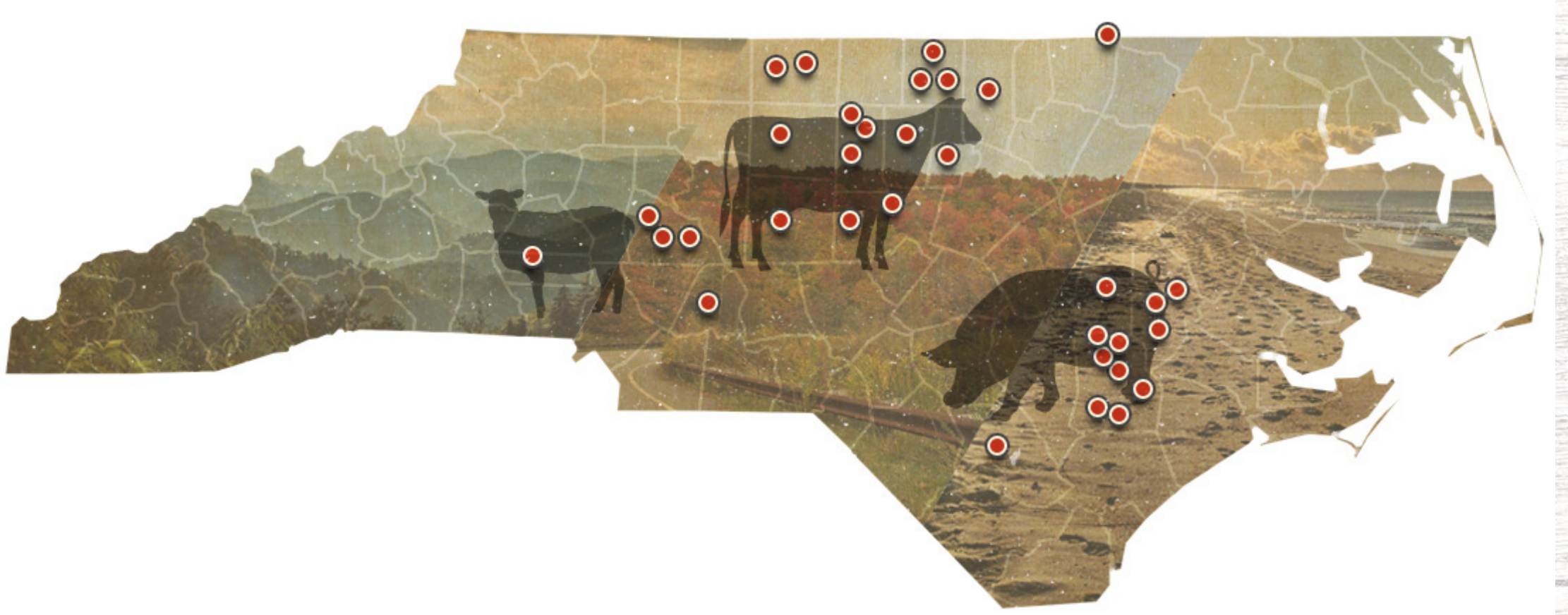
Products



TEAM



Producer Network



Processors



Carriers



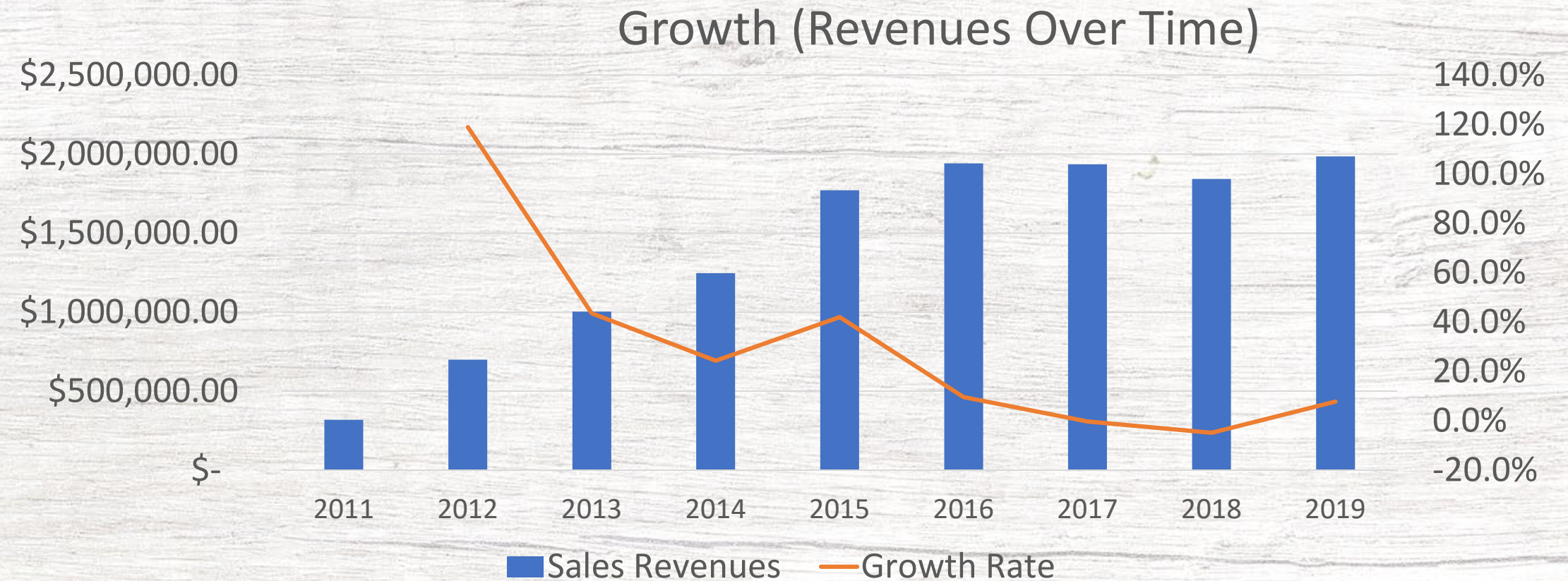
happyTM
dirt

Funding

\$1.465M

- Incubation (2009-2010)
 - W.K. Kellogg Foundation
- “Pilot” (2011-2012)
 - NC Rural Foundation
 - NC Tobacco Reinvestment Fund
- Commercialization (2013-2016)
 - USDA Small Business Innovation Research Program (Phase I & II)
- Marketing (2016 – 2019)
 - USDA Local Foods Promotion Program

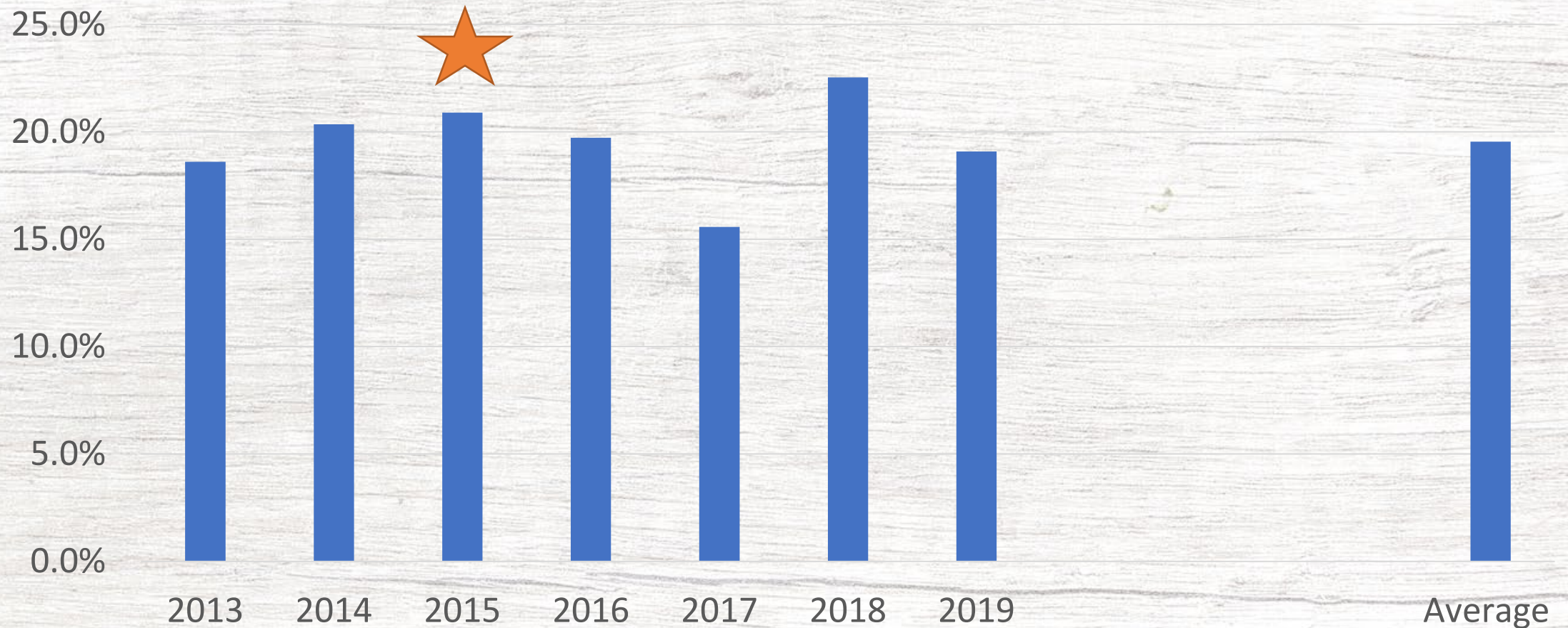
Financials



Gross Margins Over Time

Big Levers:

Whole Animal Utilization
Cut Sheet Decisions
Pricing



Gross Margin by Species

Species	Gross Margin	% of Overall Sales
Beef	18.2%	49.8
Pork	28.9%	44.7
Lamb	12.6%	5.5

Early Successes	Early Pain Points
Step-wise approach with focus on financial profitability from the get-go	Skepticism
Avoided encroaching on farmers' territory	Poor perception of "grass-fed" beef
Investment in branding	Smithfield trademark distraction
Partner wherever possible Not trying to be everything to everyone	Whole animal utilization
Lean team – low overhead	Product packaging – always and forever
	Inconsistent Meat Quality

(m)eat local

QUESTIONS

Beef Production: Context & Standards



FIRSTHAND FOODS HONEST. SOUND. PROUD.

OUR BEEF STANDARDS

local **CONTINUOUS IMPROVEMENT**

no growth-promoting antibiotics **NO HORMONAL IMPLANTS**

PASTURE-RAISED

no animal by-products

BREED SELECTION **traceability**

NUTRITIONAL SUPPLEMENTATION

Cow/Calf State....Toxic Fescue....Minimal Finishing...Droughts...

Producer Engagement: Beef

- Letters of Engagement
- Pricing
- Premiums
- Specialized Supplement
- Quality Feedback
- Annual meeting
- 2 visits per year + phone calls
- Invoicing & Traceability forms



Beef Quality Improvement



- In-House Ribeye Grading
- Tech Assistance
- Premiums for Quality



Pork: Context & Standards



FIRSTHAND FOODS OUR PORK STANDARDS

local **HUMANE**

certified non-gmo **NO HORMONAL IMPLANTS**

PASTURE-RAISED **no animal by-products**

traceability **CONTINUOUS IMPROVEMENT**

BREED SELECTION **no antibiotics**

ANIMAL WELFARE APPROVED **AWAG**



Lamb: Context & Standards

 **OUR LAMB STANDARDS**

local **HUMANE**

no antibiotics **NO HORMONAL IMPLANTS**

PASTURE-RAISED **no animal by-products**

traceability **CONTINUOUS IMPROVEMENT**

BREED SELECTION **nutrition**





Processing Issues

- Communication
- Busted seals - shrink
- Fabrication errors/standards
- Legal agreements
- Labor!
- Aging Owners
- Cost (vs. other regions/competitors)
- Hides, tongues, cheeks, etc...
- Portion Cutting



Marketing & Sales Strategies - Retail



- Promotions – help them run sales
- In-store sampling
- Brand the case
- Staff training – *vegan produce managers*

Marketing & Sales Strategies – Restaurants



- Weekly newsletter
 - Pricing
 - Supplier info
- Special events
- Social media – help build their brand
 - Tour de Pork
- Donations
 - help them serve the community
- Boots on the ground – face time, nimble fingers = texting!

Overall Brand Building

Website – full transparency

- blog

Social Media

- farmers
- customers
- products
- company & core values

Public Speaking

2x Annual Freezer Sale



Management Systems

- **Operations**

- Quickbooks
- Excel
- Vista Trac Inventory Management System
- Microsoft “To – Do”

- **Marketing**

- Mailchimp
- Wordpress
- Highrise – customer management
- Social Media platforms

- **Leadership – EOS**

- Meetings & Quarterly Conversations
- Data & Performance Metrics
- Vision
- Accountability & Clarity of Roles
- Working on vs. Working in the biz



Later Successes	Current Pain Points
Vista-Trac	Whole animal utilization
Team!	Consistent meat quality
Retail case branding	A/R
Product development – merguez, lard, C. bacon	High costs of processing
Plenty of supply	Limited distribution partnerships
Brand Integrity & Recognition	Not yet profitable
	Exploring our next move!

(m)eat local