



ALL GRASS FARMS

Illinois Grass-fed Value Chain Case Study: Direct Marketing

Developed by Delta Institute and Pasture Project

“Don’t put all your eggs in the grass-fed beef basket”

Overview

All Grass Farms, owned and operated by Cliff McConville, is a farm located in the Chicago suburb of Dundee, Illinois. The farm has been operating since 2011 and has always raised animals on grass, starting in an eight-acre backyard. Currently, the farm leases land and amenities (barn and a store building) from the Forest Preserve District of Kane County and operates on 150 acres. There is an onsite retail shop and a CSA offering. The farm produces 100% grass-fed beef, raw milk, free-range broiler chickens and eggs, turkeys, pasture-raised pork as well as organic vegetables. Customers can also purchase products from other local farms such as raw local honey, grass-fed yogurt and raw cheeses. All Grass Farms employs nine people year-round and several seasonal part-time staff. The store is run by two full-time staff and one part-time staff person while the rest of the staff are involved in farm operations.

Operation

Farm Operations

All Grass Farms is unique in having both beef and dairy production. The farm currently finishes 35-40 animals per year. Dairy was not part of the initial plan for the farm but became a significant part of the operation, roughly equal in revenue to beef, with about twenty Guernsey cows, milked twice a day year-round. The raw milk dairy operation provides a steady revenue stream

and keeps customers coming back as it’s a specialty product that has limited availability elsewhere. All Grass Farms advocated for state regulation to allow for a raw milk permit and was one of the first farms to get a raw milk permit in 2016 (there are currently ten permitted farms in Illinois). There are trade-offs in profit margins, labor, and scale efficiencies for production, but offering both grass-fed dairy and beef, as well as other meats, eggs, and produce, provide the operation with diverse revenue streams and a one-stop shop for customers.

While the labor input for managing the beef herd is only about 30 minutes per day, moving to fresh pasture or feeding hay in winter, the dairy operation requires much more labor, at an average of nine hours per day. However, it takes only two months to generate profit from a new dairy cow if it is purchased already in milk, while it takes two years for feeder calves, and 4-5 years for a cow-calf operation. Over a 5-6 year production lifespan, a grass-fed dairy cow producing raw milk can generate up to \$75,000 in revenue, while a 24-30 month old grass-fed beef animal cut and packaged to be sold as parts may bring in \$5,000. A grass-fed beef animal sold as freezer beef (quarters/halves) will generate only about \$2,500-\$3,000 in total revenue.

All Grass Farms decided to add a retail store in 2016 as selling products from their house and barn was cumbersome. The biggest attraction for customers is the raw milk, but many also visit the farm for the wide

selection of grass-fed beef cuts as well as pasture-raised eggs, chicken, and fresh Thanksgiving turkeys. Most customers buy multiple products when they come into the store, with an average sale of around \$60. The store also includes products from other local farms (produce, butter, yogurt, baked goods, pickled items, sauerkraut, soap, etc.) to capture a larger share of each customer's food spending dollar.

Access to additional pasture is the biggest challenge for All Grass Farms to meet the growing demand for grass-fed beef and raw milk. They began leasing 150 acres of land from the Forest Preserve District of Kane County in February 2015. It took another 15 months to plant pastures and install fencing, fix up the 110-year-old barn for dairy production, and renovate the retail store space. Capital investments approached \$200,000 and included electrical, plumbing, and septic upgrades to the barn and store building, as well as fencing installation, a new hoop house, a new well, and a modern milking parlor and pipeline. To ensure adequate payback for the capital investments, the lease has a 25-year term with options to renegotiate terms every five years. Because the operation is on public land, the farm had to use licensed contractors for all the plumbing, electrical, and septic work, while using farm labor for the remaining construction.

All Grass Farms formed an LLC in 2015 and sold 30% to four investors, who are friends and family, to raise \$120,000 to help fund the necessary capital investments. The Forest Preserve also invested over \$200,000 for restoration of the barn roof and foundation, as it is a historic building. All Grass Farms paid for all the infrastructure improvements needed to operate and pays for leasing the barn. If the lease is terminated within the first 20 years, the county will pay back the un-depreciated value of improvements made by All Grass Farms.

Retail Operations

One of the challenges of operating a retail store is that different beef, pork, and chicken cuts sell at different rates, so managing inventory can be tricky. For example, the store typically sells out of ground beef and steaks, while items like roasts are more difficult to sell. The store sells cookbooks and uses its communication channels strategically to share recipes for less common

cuts. The store typically doesn't offer discounts or promotional sales because the operation wants to compete on quality and variety, not price, as some grass-fed beef products can be commonly found in a local supermarket. While the return on grass-fed beef is less than some other products, the farm will continue raising beef because it's part of the holistic management of the farm.

Due to low profit margins for beef at retail prices and high demand at the store, All Grass Farms doesn't typically supply to restaurants, except one, Bleuroot. It is more of a partnership than a simple sourcing contract; the restaurant promotes All Grass Farms and gets beef from the farm at a wholesale price. Bleuroot staff came to visit the farm before they opened and were interested even then in sourcing products from the farm. The entire staff went on a farm tour, which marked the beginning of the partnership. The farm tries to provide the kitchen with products whenever available and financially feasible. In general, in order to supply products to restaurants, a farm must be a highly efficient operation to make money at wholesale prices.

Customers and staff at the farm report being able to distinguish between the taste of grass-fed and conventional beef. It can be challenging to reach consistency as there is variability even though the animals had the same treatment. The taste difference is more noticeable in steaks than in ground beef.



Customers waiting in line at the store.

Motivation

All Grass Farms began raising beef for the family to eat healthier. Neighbors and friends were interested and wanted to buy it as well. In the second year of operation, they started producing raw milk and leased a 40-acre parcel nearby to relocate the growing beef herd. The demand was high, so they decided to keep growing. As an agricultural operation, the vision was to have a comprehensive regenerative system, with animals on rotationally grazed pastures year-round.

For All Grass Farms, the barriers to entry in grass-fed beef operation were low, especially because they started small and were not financially dependent on grass-fed beef production. Locating and leasing affordable land was the next hurdle to clear. This was resolved by approaching the local Forest Preserve District. The challenge is the long payback period and the need for upfront investment. Beef production is a capital drain in the short term. It took about five years for All Grass Farms to become profitable. The farm grew quickly to keep up with demand and made investments in the operation. Having a variety of other grass-fed and pasture-raised meats available in the store is key to the success of the operation.



The barn and store at All Grass Farms.

Financials

In 2018, beef enterprise sales on the farm surpassed dairy for the first time, at \$266,000 in annual revenue. While the national average for grass-fed beef is around \$7 per pound according to National Cattlemen's Beef Association, the average retail price at All Grass Farms is

\$9.38 per pound across all cuts. In terms of volume this amounts to approximately 28,000 pounds sold annually and about 25% of overall farm revenue. Grass-fed dairy revenue in 2018 was about \$245,000, with raw milk at \$12 per gallon (increased to \$13 per gallon in 2019). The farm expects about a 15% increase in beef revenue in 2019, which is consistent with revenue increases across all products, which have been increasing 20-30% per year due to more customer visits. However, the dairy operation has reached its limit at the current farm size.

Marketing and communications are not significant parts of the budget because there has always been more demand than product. In the last two years, All Grass Farms strategically started to focus on marketing and outreach. Most of the promotion is through the newsletter, which is sent to a list of almost 7,000 people. The farm posts occasionally on social media and has a presence on Facebook and Instagram. Currently, the farm spends \$500 per month for Google advertising. They plan to use a paid email service to have a wider reach with their newsletter and reduce the Google advertising budget to \$300 per month. All Grass Farms typically tries to release one email or blog post per week. A directory listing on eatwild.com is a very beneficial marketing tool and drives significant traffic to the farm website.

The farm splits beef and pork processing between Eickman's Processing in Seward, IL and Lake Geneva Country Meats in Lake Geneva, WI. Both are USDA inspected facilities. Processing is a significant expense for the operation. For example, processing costs are a little over \$4 per chicken (about 6,000 annually), \$700 per beef animal, and \$350 per hog. Transportation costs associated with processing are also significant. It is challenging to find small processing facilities due to labor shortages in the sector. The farm also spends additional funds on vacuum packaging for meat products so customers can see what they are buying.

Growth

All Grass Farms wants to continue growing to help feed their community with more good food and to transition more farmland into regenerative management. This growth will require additional land for beef and dairy pasture, and a larger retail store space with potential for a commercial kitchen to offer more value-added

products like canned and pickled items, baked goods, and pre-made soups and salads. In 2020 they expect to lease an additional 30 acres of pasture to the south of their current dairy field but will need to build a bridge over the creek to get the cows into that field. There is also a vacant house near their existing store that could be used for a larger retail space, commercial kitchen, meeting/workshop space, and butcher shop.

In addition, All Grass Farms is working with the McHenry County Conservation District to explore a long-term lease on public land in nearby McHenry County. The property there could provide up to 275 acres of pasture, along with buildings and infrastructure and land to grow and store feed, produce calves, process poultry, and make other dairy products such as cheese, butter, and yogurt.

All Grass Farms also wants to attract a broader customer base, especially the younger generation, whose values seem to align when it comes to product quality and sustainability but tend to spend less time cooking for themselves and value convenience.

