

# Demand for organic meat drives Howard expansion

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HOWARD - Scott Lively knew organic foods were popular and that his company, Dakota Beef, would benefit from the increasing demand.

But he had no idea it would get this big.

"I thought we would be this nice little niche company in South Dakota that produced organic beef for a few retail chains and even a few restaurants," said Lively, the company's president and chief executive officer. "I never thought in a million years we would be a huge, gigantic player in organic beef.

"But we are shipping beef from coast to coast. The demand is truly overwhelming."

To keep up with that demand, Dakota Beef is expanding its plant on Highway 74 in Howard. The \$2 million project, expected to be completed in May, will allow the company to increase from 14 to 60 employees by the end of the year.

Cattle raised under strict organic guidelines will be slaughtered, deboned, cut, packaged and shipped from the plant directly to consumers, retailers and distributors nationwide.

The company takes catalog and Web site orders and ships beef packets directly to consumers' homes. Lively said the company shipped 1,250 packs a day during the Christmas holiday season.

According to the Organic Trade Association, sales of organic meat, fish and poultry increased 77.8 percent from 2002 to 2003. The organic food industry as a whole saw its sales increase by 20.4 percent during the same period.

Look's Meat Market in Sioux Falls is the only local retailer to sell organic beef. Manager Mike Haggar says he added Dakota Beef products about two weeks ago.

"I carry their steaks and burgers," Haggar said. "It



Marco Carrera and Anthony Johnson, two Dakota Beef meat cutters, check hanging beef at the company's plant in Howard. A \$2 million expansion, set to be completed in May, will let the company add 46 workers by year's end. (Alan Van Ormer / For the Argus Leader)

## ORGANIC SALES

Organic food sales and growth in 2003 (in millions of dollars):

|                            |
|----------------------------|
| Sales Growth               |
| Dairy 1,385 20.3%          |
| Breads/grains 966 22.9%    |
| Beverages 1,581 19.3%      |
| Produce 4,336 19.9%        |
| Snack foods 484 29.6%      |
| Packaged foods 1,326 16.0% |
| Sauces 229 23.5%           |
| Meat/fish/poultry 75 77.8% |
| All organic 10,381 20.4%   |

Organic food sales and share of total food sales from 1997 to 2003 (in millions of dollars):

|                 |
|-----------------|
| Sales Share     |
| 1997 3,566 0.8% |
| 1998 4,272 0.9% |
| 1999 5,043 1.1% |
| 2000 6,104 1.2% |
| 2001 7,359 1.4% |
| 2002 8,624 1.6% |

costs a dollar more per pound than our choice natural beef, but there are a lot of people who feel it's worth it."

Look's, which has been in business since 1883, sells only all-natural beef.

"More and more people these days want to know their food is pure," Hagggar said.

Kati Scherschligt is a Look's customer who buys both all-natural and organic products.

"I do it primarily for health reasons, but I also like the taste," she said. "It is worth paying a little extra to know that you are getting something that is raised either naturally or organically."

Lively said he is talking to a Sioux Falls grocery chain about making organic beef available in stores.

"Most of the retailers are coastal buyers like New York City, the New England area and California," Lively said. "I just think that the consumers on the two coasts are focused on health and sustainability. The Midwest hasn't really embraced it yet, but we feel it coming in Chicago."

The 30,000-square-foot facility will have the capacity for 80 head a day in one eight-hour shift. The goal is to process 5,000 head of organic cattle each year.

Currently, Dakota Beef has 25 producers who are shipping calves to three feedlots in South Dakota and one in Illinois.

One feedlot is near Corona and is run by Marcus Joachim, who has been working with custom organic feeding for 25 years.

Organic certification for a calf begins before it is born.

The calf must be raised on certified organic pasture, and all other feed must be certified organic as well, Lively said. "They are never fed any animal byproducts," he said.

Faith Acres Feedlot has the capacity to organically feed 1,500 calves and currently is feeding about 400 Dakota Beef calves. Joachim estimates 400 more are coming soon.

"The expansion plans sound pretty good to me," Joachim said. "That's going to mean a lot of beef. We will be feeding 1,000 calves for Dakota Beef, which means it will create a couple of more jobs for South Dakota."

Jon Farris, director of the agricultural development division at the South Dakota Department of Agriculture, said development of the processing industry in South Dakota is important in all aspects.

"We are always looking for companies to expand or build in South Dakota and provide local processing options for the producers," Farris said, adding that there have been organic beef producers in South Dakota for a number of years.

If more cattle can be found, Lively plans to add two or three plants over the next five years. It takes on average about three years for ranchers to convert to organic beef.

"There are a lot more ranches in transition now than I ever expected," Lively said. "We are just another