

It's all in the process: South Dakota's organic beef is a hit

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Prairie Biz Magazine

November 2004

Dakota Beef Company President and CEO Scott Lively simply had that feeling that organic beef would be a hit across the United States. He just didn't know how fast his new venture would take off.

"Dakota Beef is revolutionizing the beef supply system," Lively explains. "In the conventional market, cattle can change hands as many as seven times before they reach a consumer."

Dakota Beef examined the traditional model; the breeder, the cow/calf producer, the backgrounder, the feedlot, the processor, distributors, and retailers. "Seven steps and in many cases the history of the animal is lost as it's moved from owner to owner," Lively says. "This can't happen in the organic beef industry."

The program requires Dakota Beef Company to track cattle from their inception to retail packaging to prove that no unacceptable practices have taken place. Lively said when that is factored in, it is easier to see why Dakota Beef vertically-integrated the supply chain.

"We have to know what our producers are doing, so we are actively involved in all aspects of the raising and handling of the cattle," Lively adds. "We use forward contracting and grid pricing to capture a consistent supply and to reward our producers with a premium when cattle meet or exceed our requirements."

Dakota Beef Company recently started operations in a building in Howard, SD. Lively expects that in 2005 there could be as many as 30 employees working at the facility after the second phase is completed next year. Currently, beef quarters are being delivered and sent to trimming and cutting tables, processed, packaged, and refrigerated. After the second phase, the capacity of the plant will be 80 cattle for each shift. Lively is planning two shifts a day.

Howard was chosen because of its central location to Dakota Beef contracts with 25 of the leading certified organic beef producers in the Midwest, primarily in South Dakota, North Dakota, Nebraska, Iowa and Illinois. It continues to grow, as more producers learn about the company, Lively says.

"This facility is critical in the success of Dakota Beef,

because it gives us the ability to finely manage our quality controls," Lively exclaims. "It will also help to bring down the cost of certified organic beef, so that we can offer it to more people."

Dakota Beef distributes the beef to northern California, Boston, New York and Chicago. They are currently seeing interest in the southern states, specifically Florida and are examining a distribution relationship in Atlanta.

Three years ago, Lively was visiting his in-laws in South Dakota when the topic changed to the new regulations for organic beef. His experience in supply chain software development led him to recognize that the cattle industry needed to be vertically integrated.

Seldon Moreland, company spokesperson, says Lively believed it wouldn't work in the conventional market because cattle ranchers, for the most part, don't keep records of their cattle. Certified Organic Beef, on the other hand, must be tracked from conception to retail sale. He used his software skills to develop proprietary software for tracking cattle and collecting information on all veterinary care, feed, travel, ownership, and management techniques.

"Reports show that organic meats are expected to take off over the next decade," Moreland explains. "The trouble in the past has been that growers would raise cattle without hormones or antibiotics, but from their remote locations, they couldn't reach the urban homeowners who are most interested in buying organic products. Some tried, by setting up websites, but the only way to make it profitable was to sell the beef in quarters, which was expensive and inefficient."

"People in urban areas couldn't handle that much beef at once," he continues. "Many ranchers gave up. Others, after spending enormous time and energy marketing their beef, still had to sell into the conventional market if they couldn't sell all their cattle. Dakota Beef's goal is to allow ranchers to return to ranching and use us to market their beef to the most desirable markets.

The key to turning Dakota Beef into a marketable business was to meet with ranchers who would sell to Da-

kota Beef in order to build up enough of a supply to deliver a consistent product to retail grocery stores nationwide. Dakota Beef has also developed feeding protocols to deliver a consistent product to its customers.

The company has been thrilled with the response to the product. Lively says one example is the number of restaurants in New York, Boston, Washington D.C., Chicago, and San Francisco that carry Dakota Company Organic Beef.

“Additionally, our website receives hundreds of request weekly for locations where consumers can buy our beef,” Moreland says. “We are now in 134 stores in northern California under the Raley's chain, and in test markets throughout the country. Williams-Sonoma, one of the nation's largest catalogue sales companies chose us as its only fresh beef product for its holiday catalogue that came out in mid-October. These results prove to us that we are on the right track.”