



## National Bison Association

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# COVID-19 IMPACTS ON THE U.S. BISON SECTOR

## Analysis Compiled by the National Bison Association Current as of April 16, 2020

The U.S. bison business is experiencing many of the same impacts as those that are rippling through the mainstream livestock sector, but is also grappling with other unique economic uncertainties because of its uncommon characteristics.

Measuring those impacts is challenging because of the lack of specific market data compiled by the U.S. Department of Agriculture (USDA). The major report issued by USDA for the past 16 years has been the monthly wholesale bison price report. While this is a valuable resource, it is inadequate in tracking the shock waves emanating from COVID-19.

The National Bison Association, therefore, has developed this overview to provide information that may assist USDA in providing assistance to the bison industry equitable to the relief programs being developed for the beef, dairy and other livestock sectors. This information is based upon a twice-yearly survey of commercial marketers, and upon 25 interviews conducted with leading industry participants from April 9<sup>th</sup> – 14<sup>th</sup>, 2020.

### The Bison Business Before COVID-19

Rising consumer demand has driven strong growth in the U.S. bison business for more than a decade. In the 10-year period from February 2010 to February 2020, the average price of a dressed young bull carcass increased 65%, from \$246.99/cwt. to \$407.21/cwt.. Similarly, dressed heifer carcasses increased by 74%, from \$228/cwt. in February 2010 to \$398.16/cwt. this February.<sup>1</sup>

During this period commercial bison marketers increased and improved the processing and distribution system for their products. Yet, the bison business today remains somewhat small and very diverse. The eight processors that handle more than 80 percent of the commercial bison marketplace are all classified as small plants by the USDA Food Safety and Inspection Service. The consumer marketplace for bison meat has historically been skewed heavily to the foodservice sector. According to the National Bison Association's latest semi-annual survey of commercial marketers, conducted in November 2019, 30% of the respondents reported that foodservice accounts comprised 71% of their sales. Only 10% reported that retail customers accounted for more than 71% of their sales.<sup>2</sup>

Because bison is not a mainstream commodity, there is no futures market tool for producers and processors to hedge prices and mitigate risk. As a result, the supply chain has been built upon open communication and personal business relationships among participants. While the

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<sup>1</sup> Source: USDA AMS Livestock and Grain Market Reporting Service, Monthly Wholesale Bison Price Report.

<sup>2</sup> National Bison Association semiannual Commercial Marketers Survey, November 2019.

industry is not vertically integrated for the most part, marketing contracts are a common tool utilized among the major processors and finishers.

The four major sectors of the bison business are the marketers/processors, bison finishers, cow-calf producers, and farm-direct marketers. This overview provides an analysis of those four sectors.

### **Marketers/Processors**

Over the past 30 days, the U.S. foodservice industry has been shuttered while retail meat sales have surged. That seismic shift in consumer purchasing has created radically diverse impacts among processors.

Two major marketers/processors have furloughed more than 55% of their workforce in the past 30 days. Another marketer with foodservice accounting for more than 71% of its business is keeping its workforce intact but rapidly stockpiling unsold inventory. A separate marketer serving the foodservice sector reported that bison meat sells that averaged 8,000 lbs. per week in February dropped to 90 lbs. per week in April. One company that markets beef, pork and other products to the foodservice sector noted that the rise of curbside pickup and phone-in orders has redeemed some business, but the people using those services are primarily buying “value meals and comfort food, which does not include bison.”

Marketers with a significant retail presence are working to increase production, but are encountering significant costs and logistical challenges in adapting to the increased demand as they attempt to maintain production while protecting the health and safety of their workforce. At least two processors have had employees test positive for COVID-19 among their workforce, and others are reporting higher levels of absenteeism as employees fear exposure to the virus. Two processors have instituted a \$2/hr. hazardous pay increase, in addition to overtime pay, for all employees. All processors are shouldering increased costs in implementing additional sanitary procedures.

Even as the shift from foodservice to retail has resulted in an overall increase in the number of consumers purchasing bison meat, that exposure is coming at a high cost. Restaurants and other foodservice customers have served as the primary outlets for valuable bison middle meats, specifically ribeyes, strips, and tenderloins. Together, these cuts comprise about 9% of a typical carcass, but account for nearly 25% of the value. That demand has evaporated. Ground bison, meanwhile, accounts for the overwhelming majority of increased sales in the retail channel. In February, fresh ribeye subprimals were valued at an average wholesale price of \$12.84/lb., while fresh striploins were \$9.50/lb. and tenderloins were wholesaling at \$21.26/lb. Case-ready ground bison, meanwhile, brought an average wholesale price of \$6.87/lb.<sup>3</sup> If marketers are unable to capture the value of ribeyes, strips and tenderloins, wholesale carcass prices could fall between \$30 - \$50/cwt.<sup>4</sup> That would erase roughly \$250 in the value of a dressed bison carcass.

### **Bison Finishers**

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<sup>3</sup> Source: USDA AMS Livestock and Grain Market Reporting Service, Monthly Wholesale Bison Price Report.

<sup>4</sup> One processor is implementing a \$40/cwt. reduction as of April 20, 2020.

Just as bison finishers face uncertainty in the carcass price, they are wrestling with additional challenges as well.

Primary among those challenges is the disruption in feed availability and price. Like much of the livestock feeding sector, bison finishers have relied on dried distillers grains as a primary feed source for their rations. The closure of ethanol refineries across rural America has eliminated much of that supply, and has increased the cost for the remaining distillers grains by up to 30 percent.

One finisher has calculated the increased cost of feed at \$0.20/head per day. Because bison require as much as 350 days longer than cattle to finish for harvesting, the increased daily cost creates a significant expense over the finishing period. Because they are in the midst of reformulating their feed regimens, finishers are still uncertain about the overall expense that will be incurred. However, finishers interviewed for this analysis expressed a consensus that the likely impact will be about \$140 per head.

### **Cow Calf Producers**

Bison calves are typically born between April and mid-June and are weaned in the late fall and early winter. Accordingly, the majority of the 2019 calf crop was sold and transported before the brunt of COVID-19 hit.

Because bison cannot typically be sold through sale houses or forward-contracted on a futures market, the majority of animals move through private treaty sales and live auctions. The number of live auctions has increased over the past month, attributable in part to the difficulty some producers are encountering in finding buyers in the private treaty market.

The main impact among cow-calf producers will likely be a ripple effect if the carcass price drops as a result of the loss of demand for high-value middle meats.

### **Farm-Direct Marketers**

Like the large commercial processors and marketers, the economic impact of the COVID-19 outbreak varies widely, depending largely upon the marketer's reliance on foodservice, retail, or direct-to-consumer customer base.

One Midwest farm direct marketer has steadily cultivated a clientele of restaurant customers. Those customers accounted for 75% of their business revenue prior to March 2020. Sales to those customers is now down 77% since the outbreak, while sales to their retail clients has increased by 15%. However, they report that the retail sales are now slowing as the panic buying has started to ebb. Another midwestern farm-direct marketer reports that the loss of their restaurant trade will require holding onto their market-ready animals for the next several months, just as they need to free up grass for the new calf crop.

Another direct marketer in the western U.S. echoes that news. They reported that their restaurant business has fallen by 80 percent. And, because they relied on their own on-farm store for a significant portion of their business, those sales have also dropped significantly in this era of sheltering in place.

The uncertainty of the ability of farmers' markets to operate in the coming months is an additional cloud over the farm-direct marketers. Bison producers relying on farmers' markets

typically process their animals in the late fall and winter months with the anticipation of marketing the meat at the markets in spring and summer. While farmers' markets have been deemed an essential business, state and local health officials are developing stringent vendor requirements that include phone-ahead ordering and curbside pickup. Two midwestern ranchers interviewed each said that farmers' markets account for 90% of their income. The outlook for those markets opening is very uncertain, resulting in significant inventory on hand.

Four marketers interviewed have focused in recent years on direct-ship sales to end users. Those marketers all reported strong surge in demand for meat from those customers. However, they are struggling with maintaining an adequate supply to fill orders.

Agritourism is a significant revenue generator for many bison operations, including the small, farm-direct marketers. Revenue from agritourism will be nonexistent until at least Fall 2020, as weddings, weekend tours, luncheons and other events are being cancelled.

## **Conclusion**

Quantitative data regarding market forces in the bison business is very scarce, with the exception of the USDA's Monthly Wholesale Bison report and the National Bison Association's twice-yearly Commercial Marketers' Survey. And because of the diverse, dispersed nature of the bison business, COVID-19 has impacted various segments of the business in widely differing degrees. However, extensive phone interviews conducted by the National Bison Association during the week of April 6<sup>th</sup> found some important overall factors:

### Processors and Marketers

- The economic impact is directly tied to whether the company was heavily weighted in foodservice or retail, with foodservice-heavy businesses experiencing steep losses and layoffs, while marketers with significant retail clients have experienced a temporary spike in demand.
- The shift from foodservice to retail is going to negatively impact the carcass price. Nearly all demand today is for ground bison. Marketers are either grinding the valuable middle meats or putting them into storage. This may result in a \$0.30/lb. to \$0.50/lb. drop in the price for young bull and heifer carcasses.
- Processors are working to protect the health and safety of their workforce but are still experiencing the impact of employees testing positive for COVID-19.

### Feeders

- All feeders interviewed reported significant disruption from the loss of distillers grains as a feed source as ethanol refineries close. Feed reformulations are resulting in a roughly 30% increase in costs, while reducing the average daily gain among the animals.
- Most are bracing for a drop in the prime bull/cow carcass price.

### Cow/Calf Operations

- Because the overwhelming majority of the bison calve between April and mid-June, most of the 2019 calf crop was sold prior to the shutdown resulting from the COVID-19 outbreak.
- Cow-calf producers will experience a ripple effect moving forward from any drop in the carcass price.

### Farm-Direct Marketers

- Like commercial marketers, the impact being felt is directly tied to their presence in foodservice vs. direct-to-consumer trade.
- Although some farmers' markets are opening on a limited basis, the measures being implemented to reduce the risk of COVID-19 transmission will significantly impact customer traffic and sales at those markets.
- Agritourism will be lost as a revenue source until at least Fall 2020.

## Participants Interviewed for this Analysis

Information in the document is based upon interviews with the following bison industry participants:

- Michael Billings, Penny Buffalo Co., Kingsville, MO, *Farm-Direct Marketer*
- Larry Burkett, Wolverine Packing Co., Detroit, MI, *Processor/Marketer*
- Melanie Cammack, Cammack Buffalo Ranch, Stoneville, SD, *Cow-Calf*
- Bob Dineen, Rocky Mountain Natural Meats, Denver, CO, *Processor/Marketer*
- John Flocchini, Sierra Specialty Meats/Durham Ranch, Reno, NV, *Processor/Marketer*
- Dick Gehring, Blackkettle Buffalo Ranch, Moundridge, KS, *Cow-Calf and Finisher*
- Mary Graese, Northstar Bison, Rice Lake, WI, *Processor/Marketer*
- Alex Heim, Heim Ranch, Wood, SD, *Finisher*
- Tonya and Eric Horvath, Eel River Bison Ranch, Whitley, IN, *Farm-Direct Marketer*
- Kevin Leier, Heartland Bison Ranch, Rigby, ND, *Cow-Calf*
- Sean Lenihan, the Honest Bison, Camas, WA, *Marketer*
- Jacki Limpert, Slim Buttes Buffalo, Buffalo, SD, *Finisher*
- Jennifer Karnes, Red Frazier Bison, Bloomington, IN, *Farm-Direct Marketer*
- Steve Killorn, Buffalo Wallow, L.L.C., St. Ignatius, MT, *Farm-Direct Marketer*
- Boyd Meyer, Cold Creek Buffalo, Cheyenne, WY, *Finisher and Cow-Calf*
- Tim Mitchell, Broadleaf Specialty Meats, Vernon, CA, *Processor/Marketer*
- Greg Nott, Memphis Ranch, Carr, CO, *Farm-Direct Marketer*
- David Ruhter, Ruhter Bison, Urbana, IL, *Farm-Direct Marketer*
- Jud Seaman, Quality Auction Services, Rapid City, SD, *Bison Auctioneer*
- Bill Stevens, Stevens Buffalo Farm, Polk, NE, *Finisher*
- Teresa Stangel, Stangel Buffalo Ranch, Enterprise, OR, *Farm-Direct Marketer*
- James Viola, Frontiere Natural Meats, Denver, CO, *Processor/Marketer*
- Jim Wells, North American Bison, L.L.C. *Processor/Marketer*
- Sue Whittlesey, High Wire Ranch, Hotchkiss, CO, *Farm-Direct Marketer*
- Phil Wicke, Double J Meat Packing Co, Pierce, CO, *Processor*