

June 2, 2008

Ranchers prosper by ignoring factory - farm model

By THE ASSOCIATED PRESS

Filed at 4:29 a.m. ET

LOS ANGELES (AP) -- It's been said that hot dogs -- like laws -- are something you never want to see being made.

But Steve Elzer is glad to know what goes into the wieners he buys from a new hot dog stand near his office -- 100 percent grass-fed beef raised in California's Central Coast.

"I love the feel, the taste, the pedigree that this meat is free-range," the 46-year-old movie publicist said between bites at the chrome and ketchup-red Let's Be Frank stand.

The fledgeling chain of hot dog stands -- two more operate in San Francisco -- is among a small but thriving segment of the fast-food world offering grass-fed and other naturally raised meats to the masses.

Others include Chipotle Mexican Grill Inc., which operates more than 730 eateries in over 30 states, and Burgerville, which has 39 restaurants in Washington and Oregon.

Those eateries and others are providing a new market for beef and pig ranchers around the country who eschew the widespread factory-farm model and instead raise animals the old-fashioned way in pastures and outdoor pens.

"They're a big part of our business," said Brian Kenny, a manager at Hearst Ranch in San Simeon, Calif., where Let's Be Frank buys beef. "We've been growing with them."

It's difficult to put a price tag on the market for naturally raised meat, since it's produced on thousands of small ranches across the country, said Jo Robinson, who runs the Eatwild.com Web site.

But Bob Goldin, executive vice president of Chicago-based food industry consultancy Technomic Inc., said the market for fast food prepared with such meat is bound to keep expanding, as consumers grow increasingly disenchanted with the industrial model of meat production.

A recent study funded by the Pew Charitable Trusts found that intensive industrial livestock production has yielded antibiotic-resistant bacteria, degraded the environment and devastated rural communities by replacing farm and ranch jobs with poorly paying feedlot positions.

By contrast, operations such as Hearst Ranch raise their animals without growth-promoting hormones or antibiotics, and don't confine their livestock to teeming feed lots.

"In the consumer's mind, there's a connection to better health and to better for the environment and to good corporate citizenship," Goldin said. "It's just starting, but I think it's going to be a very powerful movement."

Many customers are willing to pay a premium to feel better about their fast food. For example, a hot dog at Let's Be Frank sells for \$5 -- a few dollars more than a typical fast food lunch.

It's not just hot dogs at carts. Steaks and loins from naturally raised pigs and cattle have been an increasingly easy sell to fine restaurants and upscale supermarkets.

But until now, that hasn't been true for fattier, more sinewy cuts such as pork shoulder and beef chuck that ranchers have long been forced to sell at commodity prices.

The growing demand by fast-food chains for those cuts is becoming "part of a distribution chain to get our products to the public," said Paul Willis, who manages Niman Ranch Inc.'s network of some 600 small family farms that supply pork for Denver-based Chipotle. "They become part of the solution to marketing the whole pig."

The natural offerings have helped Chipotle post 10 consecutive years of same-store sales growth, company spokesman Chris Arnold said.

Let's Be Frank co-owner Sue Moore said her stands have made enough money to cover the initial cost of marketing her wieners to supermarket chains.

Jack Graves, an executive with Vancouver, Wash.-based Burgerville said the chain plans to add at least three new stores this year after finding success with its naturally raised beef burgers, shakes from seasonal berries, and onion rings made from locally grown produce.

Country Natural Beef, a cooperative of 120 cattle ranchers in 15 states that supplies beef to Burgerville, also sells steak and round cuts to Whole Foods Market Inc. and other natural grocers.

Having Burgerville as a customer for its chuck has allowed ranchers to earn a better return on each animal, said central Oregon rancher Doc Hatfield, who established the cooperative with his wife Connie.

The Niman Ranch pig-farming network, which raises animals on diets of corn and alfalfa, grew from about 100 small farms when it started supplying Chipotle earlier this decade to its current roster of 600, Willis said.

"We used to say that every time they opened a store, we could take on another farmer, but they grew faster than we did," he said.