

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Beef Byproduct Values Also Impacted by Trade Issues

The importance of U.S. beef exports to U.S. cattle markets receives a lot of press, and has been discussed before in this column.

Beef byproducts are less glamorous and their importance sometimes overlooked by cattle producers. However, the value of byproducts, sometimes referred to as “offal” or “drop value,” also plays an important role in cattle prices.

Beef byproducts include all items, both edible and inedible, from harvested cattle that are not part of the dressed carcass. The hide is the most valuable byproduct. Other beef byproducts include items such as edible and inedible tallow, livers, hearts, tongues, oxtails, tripe (stomach), and meat and bone meal. Edible byproducts are often referred to as “variety meats”.

Values for individual beef byproduct items are influenced by many supply and demand factors. Export demand is especially important, because the amount of U.S. byproducts produced is large in comparison to domestic demand.

China is a major destination for U.S. cattle hides, historically importing about 50% of U.S. production. In retaliation for U.S. tariffs on Chinese goods imposed in mid-2018, China placed tariffs on many U.S. agricultural commodities including hides.

U.S. native steer hide prices were \$62 in May 2018 prior to the Chinese

tariffs, but fell to \$33 in May 2019, and recovered slightly to \$38 in January 2020. But other factors besides the tariffs also likely affected prices. An increase in cattle slaughter in Australia due to severe drought, and in the U.S. and Brazil due to rising cattle numbers increased the world hide supplies, which also negatively affected prices.

Byproduct values

Tastes and preferences for traditional beef cuts and variety meats differ throughout the world. Fortunately, some foreign customers actually prefer variety meats such as livers and hearts, unlike many U.S. consumers. In some countries particular variety meats are considered luxuries or used for medicinal purposes. In other countries a variety meat may be a cheaper source of protein for lower-income consumers.

The USDA Agricultural Marketing Service (AMS) publishes a daily USDA Byproduct Drop Value (Steer) FOB Central U.S. report for fed cattle. It is available at www.ams.usda.gov/mnreports/nw_ls441.txt.

AMS reports the quantity, price and value for a number of the most important byproducts for a typical 1,400-pound (lb.) steer. Values are

reported on a per hundredweight (cwt.) live basis. As I write this article, the byproduct value for a 1,400-lb. steer was quoted at \$9.20/cwt. or \$128.80 per head (hd.). AMS reported the market value of an average live steer at \$124/cwt., so byproducts amounted to about 7.5% of steer value. Values of selected individual byproduct items included the steer hide at \$2.57/cwt. (\$36/hd.), tongues at \$.89/cwt. (\$12.50/hd.) and livers at \$0.21 (\$2.94).

Fed steer byproduct values increased to record-high levels at over \$16/cwt. in 2014. But changing U.S. and world economic trade conditions caused values to decline since.

Dynamic supply and demand factors will affect beef byproduct values in 2020. Japan, South Korea and Mexico are good variety meat customers and trade agreements were ratified with them in 2019. The Phase 1 agreement with China signed on Jan. 15, 2020, did not reduce tariffs, but did allow expanded access to China’s growing demand. 

Editor’s note: Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.