

MARKET ADVISOR

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Byproduct Exports Important to Cattle Prices

Byproducts are often overlooked, but they play an important role in U.S. cattle markets.

The importance of U.S. beef exports to U.S. cattle markets has been well-documented. Beef exports on a volume and value basis were record high in 2021.

The value of beef byproduct exports also reached record high levels not seen since 2014. Beef byproduct values generally declined from 2015 to 2019 as U.S. cattle slaughter increased due to the increasing cow herd and waning international demand. Trade wars and trade agreement negotiations in 2018 and 2019 also negatively affected exports, and the worldwide

COVID-19 pandemic in 2020 caused lower values.

Byproduct values increased steadily throughout 2021 to a monthly record value in November at \$116.1 million and an annual record high.

Value

Beef byproducts are less glamorous, and their importance is 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 usually the most valuable byproduct. Other beef byproducts include items such as edible and inedible tallow, livers, hearts, tongues, oxtails, tripe, and meat and bone meal. Edible byproducts are often referred to as “variety meats.” Inedible byproducts are used for a wide variety of pharmaceutical, cosmetic, household and industrial products.

Supply and demand

Values for individual beef byproduct items are influenced by many fundamental supply and demand factors. The U.S. is the world’s largest beef producer and beef byproduct producer.

Export demand is especially important because the amount of U.S. byproducts produced is large in comparison to domestic demand. For example, many hides are exported to overseas customers to be processed into leather and leather products. Thus, economic conditions around the world and the value of the U.S. dollar relative to other currencies affect byproduct values. Strong economies with robust automobile and leather clothing sales certainly



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help the demand for leather.

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. Tongues, for example, are popular in Japan. In some countries particular variety meats are preferred over traditional meat cuts or even used for medicinal purposes. In other countries a variety meat may be a cheaper source of protein for lower-income consumers.

Byproduct reports

The USDA Agricultural Marketing Service (AMS) publishes a daily *USDA Byproduct Drop Value* 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 \$13.94 per cwt. or \$195.16 per head. AMS reported the market value of an average live steer at \$140 per cwt., so byproducts amounted to about 10% of the steer value. Values of selected individual byproduct items included the steer hide at \$2.61 per cwt. (\$36.54 per head), tongues at \$2.16 (\$30.24), livers at \$0.77 (\$10.78) and hearts at \$0.38 (\$5.32).

AMS also issues a *Weekly USDA Byproduct Drop Value (Cow)* report. It is available at: www.ams.usda.gov/mnreports/nw_ls444.txt.

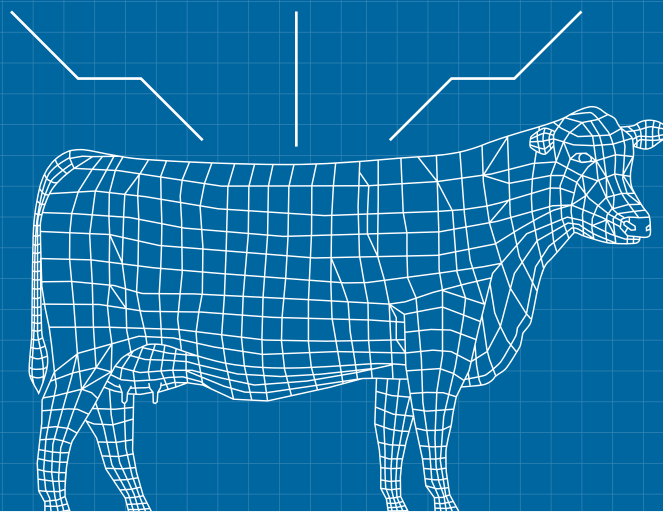
The report lists the quantity, price and value for important byproducts from a 1,100-lb. cow. When I wrote this article, the cow byproduct value

was estimated at \$12.61 per cwt. or \$138.71 per head. The highest value cow byproduct was tallow at \$24.75 per head, due to the increasing demand for vegetable oil and animal fat to make renewable diesel fuel, resulting from California's low-carbon transportation fuel policy.

Both supply and demand factors will affect beef byproduct values in 2022. Projected lower U.S. fed cattle and cow slaughter, demand for animal fat, and continued strong export demand should support byproduct values at near-record levels again in 2022. 

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