

Premium

Grind

Ground beef leads growth in CAB sales.

by *Raylene Nickel*

Americans love ground beef just about any way it's served — burgers, tacos, meatloaf, casseroles, you name it. But judging from sales, we love it even more when we can buy the trusted *Certified Angus Beef*® (CAB®) brand.

"Annual sales of CAB ground beef came in at 53 million pounds (lb.) last year," says Clint Walenciak, Certified Angus Beef LLC (CAB) packing director. "That's nearly 10% of all CAB product sold, a 17% increase over the previous year and double the total CAB growth rate."

This boom represents a great opportunity, because it increases the amount of beef from each carcass sold under the high-value CAB brand.

"In driving value for Angus cattle, as well as CAB product, that's one of the biggest challenges," Walenciak says. "Increasing carcass utilization means packers realize more added value from each branded carcass. That builds demand and leads to more premiums for Angus-type cattle that can meet the brand's specifications."

Last year the volume of ground beef sold

per certified carcass ranged from 5 lb. to nearly 40 lb. among all licensed packers. The average of 20 lb. per head is only half the potential. Each pound sold as CAB ground beef, rather than as commodity unbranded, earns a price premium of about 12¢ per lb., according to the Urner-Barry Yellow Sheet, a leading market-reporting service. Based on last year's total sales, that's \$6.36 million of value waiting to be added.

Foodservice licensees and restaurants logged more than 60% of last year's CAB grind sales, mostly bought from licensed packers, but increasingly from regional specialty grinders.

These emerging businesses provide services that help sell more ground beef under the brand. Because they're regional, they can provide quick turnaround on orders, giving distributors fast, convenient access to fresh ground beef, in either patties or bulk grind. "In some cases this creates an opportunity for new distributors to come on board and carry CAB ground beef," Walenciak says.

The regional grinders also have the

flexibility to package ground beef in smaller bulk "chub" sizes than those sold by packers. This adds convenience for smaller foodservice outlets, making it more attractive for them to stock CAB ground beef, he adds.

Opportunity at retail

While foodservice outlets account for the lion's share of sales today, retailers provide the greatest opportunity for growth. That's because they comprise more than half of total CAB sales but only 31% of ground beef sales.

"The gap is there largely because of the high-volume, low-margin nature of ground beef," Walenciak says. "Many licensed retailers hesitate to change current ground beef offerings at the risk of disrupting sales."

But a growing awareness of the consistent high quality and variety of CAB ground beef products is carving inroads into the cloistered retail market. Here, too, the flexibility of specialized grinders and their variety of products contribute to the potential for growth in retail sales of CAB ground beef.

For example, specialty grinders' introduction of case-ready ground beef chubs has made it more convenient for retailers to stock CAB ground beef.

"The retailers don't have to hire skilled laborers who know how to package ground beef," Walenciak says. "The case-ready chubs come prepackaged with the CAB label from the specialty grinder, providing another opportunity for us to 'brand' our product in the meatcase."

Modified-atmosphere packaging from specialty grinders provides a similar win-win scenario. It resembles conventional packaging in that the clear plastic covering shows the beef inside. But the seal is airtight, increasing shelf life while maintaining beef color.

Still another advantage of specialty grinders is their ability to provide extra-lean grinds to retailers supplying niche markets. Such grinds, which come from cuts that must be trimmed by hand before grinding, will be 93% to 96% lean.

Three major grinds

Aside from the small amount of beef sold in extra-lean grinds, most CAB ground beef is processed as one of three major "grinds." About two-thirds of it is from the chuck, labeled 80% lean; 23% of it comes from the round, which is 85% lean; and ground sirloin, which is 90% lean, comprises 10% of total sales of CAB ground beef.

While some retailers may be concerned about a disruption in sales by switching to only CAB grinds, the change paid off for

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Buehler Food Markets Inc., an Ohio retail chain.

“We worked hard to promote CAB since we became a retailer that sold 100% CAB in our meatcases,” Chief Executive Officer (CEO) Bob Buehler says. “The good experience our customers had with our beef transferred to our grinds. We did some sales testing on the No. 1 [chuck] CAB grind and found that our customers preferred it.” Generic grinds were first replaced by CAB ground chuck; then “we decided to stock all three of the CAB grinds,” Buehler says.

Some of the hefty growth rate in overall sales of CAB ground beef can be attributed to value-added products. Deli products such as roast beef, corned beef, pastrami and beef bologna lead the division, comprising 47% of sales. Heat-and-serve products such as fully cooked pot roasts prime rib, hamburger patties, meatloaf and innovative new cheeseburger fries make up another 26%. “But the fastest-growing category is the fresh-frozen ground beef patty, which accounts for 14% of value-added sales,” says Brett Erickson, director of CAB’s Value-Added Division.

The increasingly popular CAB ground beef patties are flash-frozen to seal in juices. “Consumers can take them out of the box, put them on the grill and cook them in eight minutes or less,” Erickson says. “A lot of companies have come out with this type of product, but there is a lot of variation in quality. That’s why the CAB patty stands apart in the sea of fresh-frozen patties on the market.

“Many of those, for instance, are made from beef trimmings from any part of the carcass of any kind of cattle, including old, cull cows,” he continues. “By contrast, CAB fresh-frozen patties are ground only from the chuck, and, of course, the CAB beef comes from younger cattle meeting top-quality criteria. The result is a more flavorful patty.”

Take it from one of the most successful, longtime CAB-only retailers in the country, the Reasor’s chain in northeast Oklahoma — the growing demand for CAB primal cuts carries over to ground beef.

Back in the 1980s, Reasor’s, which leads CAB retailers in per-store movement of ground beef, became the first Oklahoma

licensee. It began by offering only primal cuts, but several years ago switched the ground beef case to CAB-only products, including all three of the major grinds.

“That’s been an excellent move for us because we want to sell the best beef available,” Paul Roach, Reasor’s meat director, says. “The CAB program offers us a number of advantages over our competitors. And the quality of the meat has drawn customers. We get lots of repeat business and lots of compliments about the beef.”

The primary promotional tools used by Reasor’s are those supplied by the brand. “We use CAB stickers on all packages of fresh beef,” Roach says. “We use CAB kits to put up signs, and store employees wear CAB caps. We go all out to tell the public about the beef. We manage our stores on the premise that, as long as we continue to offer service and quality, we will win in the grocery business.”

Growth in both CAB sales and premiums to producers shows that same premise holding true in the beef cattle business.

