

# CERTIFIED ANGUS BEEF



## Beef Industry Future Demands "R&D" *by Kelly Elkins*

Marketing and determination of the value of beef cattle in the United States is extremely complex. The beef subsector of the livestock/meat industry involves transactions at all stages of production. Such transactions involve purebred cattle producers, commercial cow-calf producers, yearling or stocker operators, feeders, packers, purveyors, retailers, food-service operators and, finally, the consumer.

The transfer of product through these different industry segments requires each segment to determine product value and then transfer this value to the next segment. Value is expressed in \$1 units based on weight for a live animal, carcass or carcass components of the animal which have economic value. The perceived primary determinants of the animal's value are estimated percentage yield of trimmed retail cuts and the expected palatability of the cooked product, which are determined by USDA yield grades and quality grades, respectively.

Yield grades and quality grades were developed to segregate slaughter cattle and carcasses into different market classes. Price differentials between yield grades (YG) exist only between YG 3 versus YG 4 and 5 carcasses. While these price breaks have been successful at determining value differences between industry averages and extremely fat carcasses, they still encourage the production of waste fat and ignore value differences based on percentage of lean yield among YG 1, 2 and 3 carcasses.

Individual carcass grades (yield and quality) are not used to price live slaughter cattle. Instead, the majority of prices for slaughter cattle are based on estimates of dressing percentage and USDA quality grade, while ignoring the estimated percentage of lean meat.

Emphasis on dressing percentage and quality grade in pricing slaughter cattle has continued despite recent efforts by the beef industry to reduce production of waste fat. As a result, mixed signals concerning what types of cattle to produce, what their true value is, and how to manage them in the feedlot are being sent to cattle producers and feeders.

The term value-based marketing has been adopted by the beef industry to define and organize a marketing system in which the yield of lean meat, along with quality grade, would be used as value determinants. This concept is not new to the beef industry; however, what is new is the National Cattlemen's Association's recent announcement of the Value-Based Marketing pilot project involving producers, a feeder, a packer and a retailer.

This is a positive step in initiating a value-based marketing system. If this type of marketing system is implemented, information regarding how cattle perform in the feedlot and what types of carcasses they produce will be of vital importance.

Recently, 68 Angus producers participated in a program that allowed them to discover this information and be involved in the research and development of their

product. This program was the 1992 Certified Angus Beef Feedlot Gain & Carcass Contest, sponsored by the Certified Angus Beef Program.

The contest enabled producers of Angus-sired steers to retain ownership on a small number of cattle. The cattle were placed in a large, commercial feedyard — Decatur County Feed Yard, Oberlin, Kan. This enabled producers who had never had an opportunity to retain ownership to do so and gather information on feeding and finished cattle marketing procedures as well as gain an increased awareness of the CAB Program's live animal and carcass specifications.

Value-based marketing is quickly approaching. Like most producers of food products, cattle producers are going to be required to fine tune their product and place greater emphasis on the research and development stage. Packers, purveyors, retailers and food service operators will no longer be willing to invest in beef products that don't meet their quality and consistency standards. Cattle producers willing to make this commitment will discover increased marketing advantages.

Look for results from the 1992 Certified Angus Beef Feedlot Gain & Carcass Contest in the September issue of the *Angus Journal*.

**Editor's note:** Kelly Elkins is director of CAB Feedlot & Packing Operations, Supply Development Division and assistant director, Packing Division.

## CAB Program Happenings

The following is a news update of the Certified Angus Beef Program:

### *Packing Division*

IBP — West Point, Neb., was licensed April 29 as a carcass supplier with a total capacity of 2,000 head per day.

IBP — Denison, Iowa, was licensed as a carcass supplier on June 8 with a total capacity of 2,000 head per day.

IBP — Joslin, Ill., was licensed on June 9 as both a carcass supplier and a fabricator with a total capacity of 3,000 head per day.

Greater Omaha Packing — Omaha, Neb., received an extension to its license to include fabrication on June 19.

### *Food Service /Retail*

The food service division is establishing a presence in two new market areas with the addition of three licensed food service purveyors. Kastner Wholesale Meats, Rochester, N.Y., has joined the Program, as has J.J. Derma Meats Ltd. and MacGregors Meat & Seafood Ltd., both located in Toronto, Canada.

The retail division welcomed Buehler Food Markets, a 10-store, family-owned, retail chain headquartered in Wooster, Ohio, to the Program June 15. Buehler's changed its entire fresh beef program from USDA Choice to CAB product because of the product's consistency in taste, tenderness and juiciness, according to Bob Buehler, director of meat operations.

### *Promotion /Education*

"Partnering for Progress" is the theme of the CAB Program's 1992 National Conference scheduled for October 1-4 in Houston, Texas. The conference brings together representatives from all segments of the industry.

"Commitment to Excellence" awards will be presented during the conference to a seed-stock producer, a commercial producer and a feeder who have exhibited outstanding support and involvement in the CAB Program.

The public relations division is updating and adding new promotional resources. A capabilities brochure titled, "Certified Angus Beef — Beef With Close Attention to Taste," has been developed to provide potential participants an overview of the entire Program. In addition, new aprons, buttons and banners bearing the CAB Program trademark are now available.

Contact the CAB Program executive office at (419) 853-4066 to place orders for these resources.



Licensed CAB packer BeefAmerica is hitting the National Hot Rod Association (NHRA) and American Hot Rod Association (AHRA) circuits with a very visible promotional campaign. The company is sponsoring three drag racing teams which have all been past NHRA and AHRA world champions.

The sponsored cars include: "Philadelphia Flyer," a former national and world champion funny car; "Cherokee Warrior," a world champion ultra designed funny car; and "Double Vision," one of two alcohol fueled dragsters with two 622 cubic inch Oldsmobile engines remaining in the United States and tuned and maintained by the only identical twin crew chiefs in drag racing — Lou and Mike Cavalier.

The promotion positions BeefAmerica's logo on the cars and their carriers, so exposure goes beyond the actual race. In addition, BeefAmerica sponsors a CAB product cook-out for special guests in the pit areas.