

# Did You Hear About McDonald's?

Make sure you heard the whole story.

Commentary by **Troy Smith**



It's interesting how people keep the gossip mill greased, gassed and grinding away. Too often it's difficult for us to share what we've heard, especially bad news, without embellishment. Unfortunately, our penchant for making the tale worth telling can cloud the facts. Coloring our perceptions is our tendency to pass judgment, even without knowing the whole story. And when rumors run rampant, it may be hard to distinguish fact from fiction.

Cattle producers know how dangerous false rumors can be. Last spring, an erroneous report of an outbreak of foot-and-mouth disease (FMD) in Kansas hurt cattle markets. Facing sorry prices and festering fears that FMD and BSE (bovine spongiform

encephalopathy) might find their way from foreign shores to the United States, cattle folk were in no mood to hear that McDonald's Corp. was planning to buy imported beef.

Around the first of April, news broke concerning the burger chain's decision to test-market beef from Australia and New Zealand through some McDonald's restaurants located in the southeastern United States. The announcement prompted cries from cow country, accusing the fast-food giant of an unpatriotic sell-out of the American beef industry. Others cited concerns over the safety of foreign meat. Many producer-penned letters, printed in beef industry trade publications, called for a boycott of McDonald's restaurants.

However, some of those same "letters to

the editor" revealed that the authors might not have heard the whole story. Many accusations appear to be based on incomplete or downright false information, which mostly well-meaning people have spread. And it continues through coffee-shop conversation and even over the Internet. During late summer, e-mail users were circulating misinformation and urging consumers to boycott McDonald's.

## The rest of the story

The purpose of this article is not to suggest that there is no cause for concern. It's probably safe to assume that most U.S.

beef producers would prefer that every "Big Mac" contain only U.S. beef. But don't be mad at McDonald's for the wrong reasons. And if you plan to buy your burgers from a competitor, to avoid foreign beef, choose carefully.

McDonald's spokesperson John Hayes admits that some emotional responses from beef producers were expected.

As the manager of beef and pork purchases, Hayes regrets that the reasons for considering imported beef were not effectively communicated to U.S. beef producers. Consequently, he has attended numerous cattlemen's meetings during recent months. Along with visiting the major beef-producing states, Hayes appeared at the summer conference of the National Cattlemen's Beef Association (NCBA).

"I want beef producers to understand that the decision was based on supply and

demand.

Our primary driver is supply — not price," Hayes says.

"Imported beef is cheaper," he adds. "That's why our competition started buying it over 30 years ago, while McDonald's continued to buy only U.S. beef. But now there is a shortage of lean beef in this country, and that's the product we need."

McDonald's traditionally has used only U.S. beef in its domestic restaurants, purchasing about one billion pounds (lb.) per year. Historically, beef and dairy cows have been the primary source of the company's ground beef. This very lean product is mixed with higher quality (50% lean/50% fat) trimmings derived from fed-cattle processing. According to Hayes, the resulting 80% lean hamburger represents the kind of product that McDonald's customers prefer.

## Shortfall of supplies

But supplies of non-fed U.S. beef have not kept pace with the burger chain's growth. During the last 25 years, McDonald's has expanded from about 1,500 restaurants to 13,000 in the United States and 30,000 worldwide. During the same time, U.S. cow slaughter has dropped substantially.

Hayes says consumers now buy more lean ground beef for home preparation, too, contributing to the demand for a very lean product.

Anticipating even greater demand,

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**— Wythe Willey,  
NCBA president**

McDonald's decided to try supplementing its U.S. purchases with USDA-inspected beef from Australia and New Zealand. Beef from those countries must meet the same food safety criteria as U.S. beef purchased by McDonald's. Reports that the company is importing beef from South America are untrue.

"We are not walking away from American cattlemen," Hayes says. "We aren't replacing U.S. beef, but we have found a supplemental source of lean beef to mix with U.S. product."

About 400 outlets, mainly in Florida and North Carolina, will participate in test-marketing hamburgers containing the blend of U.S. beef and product from Down Under. Even if all of McDonald's domestic restaurants started blending imported product in their hamburgers, it would account for less than 1% of the total amount of beef used. If that happened, Hayes says McDonald's would still sell twice as much U.S. beef as both of its two biggest competitors. Most major fast-food chains, including Burger King, Wendy's and Carl's Jr., reportedly have used or are now using up to 50% foreign beef.

The McDonald's decision will not increase the amount of beef imported

to this country. Because of Tariff Rate Quotas (TRQs), Australia and New Zealand are limited in what they can send to the United States. The NCBA remains adamantly opposed to increased quotas and the Australian beef industry's lobbying efforts to raise their TRQ have been unsuccessful. McDonald's will have to compete for a limited supply of imported product.

"We have no interest in doing anything to change that," Hayes adds. "We won't seek any changes to existing import quotas."

### **Serving U.S. beef abroad**

McDonald's has previously purchased beef from Australia and New Zealand, to supply its

restaurants outside the United States. However, the company also exports U.S. fed beef trimmings to create the desired blend for hamburgers served in its international restaurants. But in some of the 120 countries where McDonald's outlets exist, trade barriers prohibit imports of U.S. beef. According to Hayes, McDonald's is interested in working with U.S. beef producers to open more markets abroad.

"They are our biggest user of 50-50 trim," says Wythe Willey, an Iowa cattleman and president of NCBA. "McDonald's exports 19 million pounds of U.S. trimmings for use in restaurants outside this country."

Willey says he would like to see McDonald's use as much U.S. product as possible. NCBA is working with the company to explore alternative sources of lean domestic beef, and also to increase the use of U.S. products, from fed beef, in foreign markets where McDonald's has a presence.

"It makes sense to act as partners to break down the barriers to U.S. product in other countries," Willey says. "It doesn't make sense to get into a fight with our biggest customer."

