A Good, Hard Year

Pandemic affects Certified Angus Beef *fiscal numbers, but sales momentum is strong.*

by Kylee Kohls, Certified Angus Beef LLC

Blindfolded on a roller coaster, this year in the beef business was filled with unexpected upside-downs and lurches. Whether a restaurateur in New York City or a rancher in Nebraska, the ramifications of COVID-19 make 2020 a ride no one will soon forget.

For the first time in 16 years, the *Certified Angus Beef* ® (CAB®) brand reported lower annual pounds (lb.) sold for its fiscal year ending Sept. 30. Still, 2020 was one of strong performance and the fifth consecutive year with sales of more than 1 billion lb. across 52 countries. Those global sales of 1.175 billion lb. were down 6%, or 75 million lb.

"We're prepared and positioned today to support our partners' business recovery and growth as we move forward," says CAB President John Stika. "We're fortunate to be in good shape because of the combined effort across our community."

Supply set to meet demand

Despite market disruption and volatility, Angus cattlemen remained focused on producing high-quality beef. In 2020, a record 35.9% of all Angus-influenced cattle met the brand's 10 quality specifications at licensed packers.

"Just a decade ago we were celebrating a 23% acceptance rate," says Paul Dykstra, CAB assistant director of supply management and analysis. "It's been a pretty steady uptick in both quality and Angus influence in the cattle available for consideration."

The 5.54 million cattle certified into the brand were only 1.9% fewer than 2019. That number was just 3.5 million in 2010.

"That demonstrates a clear, concerted effort. Cattlemen are more focused than ever on what demand is telling us about beef quality," he

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says. "The brand is widely recognized as the target for successful producers who want to participate in the upper echelon of the market."

Licensed packers returned more than $1.7 million dollars in premiums to cattle feeders each week for CAB-qualified carcasses, incentivizing that pull-through demand back to cow-calf suppliers.

"In a year when retail beef prices spiked and uncertainty was a theme, producers heard what consumers said again and again: Quality still matters," Dykstra says.

The CAB supply team modeled a 50% CAB acceptance rate as a target to help hit 2 billion lb. in sales. The *Targeting the Brand*™ program, which identifies bulls more likely to produce CAB qualifiers, underwent updates in May.

Using 8,600 sire-identified carcass records, the requirements for *Targeting the Brand* moved to +0.65 for marbling expected progeny difference (Marb EPD) and +55 for Grid Dollar Value Index, or "dollar G" ($G).

"We've seen very solid uptake on the number of commercial producers looking for that logo, and the number of breeders providing it," Dykstra says.

More than 130 sales used the logo during the 2019-2020 sale season — that number up 76% above the previous year — to identify more than 6,500 Angus bulls with a likelihood of siring brand qualifiers.

As outreach to the feeding sector, the brand hosted its first-ever virtual Feeding Quality Forum, reaching several hundred people during the two-day event in August.

In September, CAB implemented two changes to its "G1 schedule" specifications. The first, a subtle rewording, adjusts the fat thickness limit from "less than 1 inch" to read "1 inch or less." The second edit allows packers with an "extended licensing agreement" to box beef from some primals that met all quality specifications, but exceed the ribeye area, up to 19 square inches. Ribs, ribeyes, strip loins and short loins from these carcasses are still excluded from the brand.

No packers are currently using that option, but it opens the door for future opportunities.

All supply and production strategies are aimed at a consistent and growing supply, which enables licensed processors, distributors, restaurateurs and retailers to deliver. Stika says the brand is focused on meeting demand, though some segments may serve consumers differently moving forward.

Riding the rails

Last October the fiscal year began by working through lingering disruption from the packing plant fire in Kansas. That challenged the brand's international business and the ability to secure retail feature activity moving into the holidays.

Foodservice, on the other hand, was on record pace.

With a combination of manageable prices and availability in January and February, sales across all segments strengthened, landing both months among the top 10 for all-time CAB sales. March finished in the history books' top 10, too.

While the month saw foodservice and international business decline by 40% due to the onset of COVID-19, consumers transitioned their buying patterns. Retail business spiked, all but offsetting declines in other areas.

At the peak of the pandemic in April and May, foodservice and international sales were down 72% and 64%, respectively. Retail business was up almost 44%.

June brought continuity, reestablishing itself in the supply chain, and moved into fall with two months of sales above 100 million lb.

Putting all 12 months together, retail had a record year, increasing by 12%, while foodservice and international sales were down roughly 23%.

Managing through widespread crisis is not unprecedented for the company. When bovine spongiform encephalopathy (BSE) disrupted the beef industry in 2004, brand sales declined 80 million lb., a fairly similar volume decrease for 2020.

"In 2004, total sales were roughly 43% of what they are today, so that 80-million-pound loss in business translated into a 13.5% decline in both tonnage and resources, compared to the 6% we'll manage through this year," Stika says.

The brand remains stable with a steady supply and projections for continued growth, he says.

Closing the books on 2020, Stika is grateful and optimistic.

"For as much as we have enjoyed the past, our focus cannot be on saving the past," he says. "Rather our focus will be on changing, evolving and being more flexible so that we can really excel for our partners in the future, regardless of what it looks like."

That's a promise designed to deliver dollars all the way back through the system. AJ

Editor's note: Kylee Kohls is a brand communications specialist for CAB.