

Why Blame Grading System For Woes of the Industry?

The U.S. Department of Agriculture's (USDA) grading system is beef's marketing backbone. Grade terminology is used by the entire beef chain to communicate yield and quality characteristics of beef product.

Since its implementation in 1927, the grading system has been a standard recognized by consumers and producers when purchasing and marketing beef. The service, requested on a voluntary basis by packers, uses quality and yield grades to differentiate beef carcasses.

At the National Cattlemen's Beef Association (NCBA) mid-year meeting in Nashville a resolution passed to study the feasibility of privatizing the beef grading system.

Advocates for the privatization say the grading system inhibits value-based marketing, and by eliminating the system packers will be forced to stand behind their product.

Others believe privatization or elimination of the grading system has become a scape goat for the problems within the beef industry. Opposed to NCBA's resolution, the American Angus Association's Board of Directors drafted a resolution at their September board meeting against privatizing.

"The general attitude of the American Angus Association Board is not to blame the beef grading system for the problems within the beef industry," says Richard Spader, American

Angus Association executive vice president. "People are always looking for something to blame during tough times, and now it is the grading service."

Spader says there are five key points why the American Angus Association has taken the stance they have. They include:

1 Grading is a voluntary system

USDA beef carcass grades were developed in 1916 to facilitate trade and promote quality. Grades segregate the population into marketable groups that beef distributors and retailers recognize as having an assurance of some level of quality.

"It's difficult for the Board to see why a system that's voluntary in the first place should be privatized or possibly eliminated," Spader says. "Because grading is a voluntary service, it's unlikely grades would be applied if there were no demand for them."

2 Most major packers already have branded programs

Proponents say eliminating the grading system would boost beef demand and force packers to develop branded programs. The fact is, most major packers do have branded programs today, for example, Excel's Sterling Silver™ and Monfort's Chef's Exclusive™. Like the Certified Angus Beef (CAB) Program, the underpinning of these programs is the USDA grading system.

At the September board meeting of the American Angus Association the Board of Directors adopted a resolution to strongly oppose the elimination of the USDA beef grading service.

by Angie Stump Denton



Customers differentiate beef product using USDA grades.

3 International marketing

The USDA shield has recognition and value in the international marketplace. The 1994 International Beef Quality Audit identified grades that distinguish our U.S. products and assist in establishing a definition for value at the consumer level. Within the last five years, as global trade has increased, both Australia and Canada have adjusted their grading systems so they can use U.S. terminology and compete with our distinguishing features in overseas markets. American grades have become a symbol in trade world-wide.

4 Price discovery

Proponents of elimination say the current grading system keeps value-based beef production and marketing from being a reality. By eliminating the current system the

question of communication arises. Today marketing terminology is based on USDA grades. How useful will the USDA beef carcass cut-out value or the weekly cash slaughter cattle summary be without the use of grade standards and specifications? The national meat report would have no meaning and only packers would have access to different boxed beef levels.

5 The value of marbling

The core issue may be the value of marbling in the determination of eating quality. The American Angus Association was opposed to lowering the marbling requirements for Choice grade in 1976. This change was one factor in the development of the CAB Program.

Spader says although it's easy to discard the issue of marbling by saying research indicates only 10 percent of the variation in tenderness is due to marbling, marbling still accounts for flavor, juiciness and taste. These characteristics are what consumers say contributes to a pleasant eating experience. Various research does support moderate to high genetic correlation between marbling and tenderness; greater than what is normally quoted.

To increase consumer acceptance beef producers need to improve the quality and consistency of their product. Consumers will buy a product if it's consistent.

As the number of cattle breeds in the United States has increased, beef consumption has declined. The industry has gone from a tight population to adding several new breeds every year. In the 1960s there were three main breeds -Angus, Hereford and Shorthorn. Today there are more than 60 breeds of cattle.

Proponents think eliminating the grading system will pressure

HISTORY OF USDA GRADING SYSTEM

A scientific study of meat grading was first undertaken by the University of Illinois, beginning in 1902. The results of these studies were used as a basis by the U.S. Department of Agriculture (USDA) to set up tentative standards for classes and grades of beef carcasses. They were first used in market news reporting work in 1916.

In 1916 the USDA and the national beef packers agreed that station grades at 10 cities would stamp, upon request and without charge, the grades of Choice and Prime on steer and heifer carcasses. This was only an experimental basis before the standards were revised and announced June 3, 1926, as the Official U.S. Standards for the Grades of Carcass Beef. In 1927 the voluntary beef grading and stamping service was established.

Research has continued, resulting in 10 revisions between 1937 to 1987 to keep the standards in line with consumer demands and production practices. On March 1, 1989, the USDA officially incorporated the rule that separated beef quality and beef yield grades. Prior to this carcasses were graded for both quality and yield, or not at all. Now packers can have USDA grade carcasses for quality, yield, for both or neither.

On Jan. 1, 1997, the newest grade change will take effect. This change will make B-maturity carcasses with slight or small marbling ineligible for the Select and Choice grades and eligible only for the Standard grade.

The cost of USDA grading is paid by beef processors because they voluntarily decide to utilize USDA grades, The USDA is a third party providing unbiased evaluation of carcasses.



the industry to reduce the number of breeds which will lead to a more consistent product. Spader says we don't have to eliminate the grading system to make this happen.

"It's going to be a tough nut to crack," he says. "But the industry needs to identify the breeds that contribute the most to the industry."

Proponents of privatizing the grading system are willing to cast out known programs with third party certification for a virtually unknown system which may or may not work.

Successful programs can be developed and based on the USDA grading system. At a time when beef consumption has flattened, demand for Certified Angus Beef™ product has

continued to grow.

The CAB Program has had tremendous, long term growth. Spader says it's not coincidental that the only "brand names" that have succeeded in the United States for the most part are those that are certified or audited by USDA. In other words, an unbiased third party serves as the basis for determination of the grading specifications. This provides substantial credibility to the system.

Mick Colvin, executive director of the CAB Program, says the American Angus Association Board recognizes the current system is less than perfect, yet also recognizes the grading service does an excellent

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job of segregating beef—an increasingly diverse, raw material, commodity product—into more homogeneous groups which are USDA grades.

Bill Rishel, American Angus Association director, says, “The fact packers elect to use the voluntary system is because their customers demand the segregation of product.”

Proponents of eliminating the system say it will increase market share. American Angus Association Director Henry Bergfeld begs to differ, saying it will be directly the opposite. Looking at the issue from the consumer’s standpoint, eliminating the grading system would be misleading.

“It would be a consumer rip off,” Bergfeld says. “At this point consumers do look at grades when purchasing a product, although many are not as knowledgeable as they should be.”

By eliminating grades consumers going into different grocery stores will not have a way to compare an IBP product with an Excel product by the label.

Bergfeld says proponents want to tear up the current system first and then talk about rebuilding. “It’s like letting a fox go in a hen house,” he says.

Colvin agrees it would be foolish to do away with the current system until there is a better system to replace it. Millions of dollars have been spent on research to develop a more accurate system. The grading service still does as good of job categorizing by specification as any other system developed to date.

By privatizing or eliminating the grading service there will be a lot of unknowns. Taking this step is a tremendous risk

For years concentration has been a hot topic in the beef industry; by eliminating grading won’t that lead to more? How



“The fact is, packers elect to use the voluntary system because their customers demand segregation of product.”

—Bill Rishel

will small packers be able to continue to compete with the big three?

Bergfeld says removing the grading standard will give packers more control. A question he asks is how will producers be able to compare data from different packers without a standard grading system? Without a standard basis to compare carcass data producers won’t know the quality of product they are producing.

Colvin says the problem is not with the system or service, it’s with the specifications. In terms of consumer acceptance the specifications are too broad which results in product inconsistency. This is

substantiated by the National Beef Quality Audit (NBQA).

He says the variation in palatability and value from low Choice to high Choice is even more pronounced than the economic difference between yield grade (YG) 3.0 and YG 3.9. However, both extremes can be found in the same box identified and marketed for one price as USDA Choice, YG 3.

“Again, this problem is not the fault of the grading service, it’s the result of a system that was created by the same people who are now proposing to eliminate it,” Colvin says. “If grade specifications were narrowed to more accurately reflect consumer demand and all beef was graded and priced to the producer on consumer

value, many of the problems now facing the beef industry would quickly subside.”

Rishel says producers need to adopt practices that will enhance the current system. He hopes in the near future a real speed tenderness will be found.

Rishel and Bergfeld both agree the push to eliminate the grading service was not started by the grassroots of the beef industry.

“The NCBA likes to be considered a grassroots organization,” Bergfeld says. “But with this issue it’s coming from the top down.”

Look for the grading issue to be a hot topic at the NCBA Convention in January.

