



Market Advisor

by Tim Petry, NDSU Extension Service

Beef byproduct values buoyed by export market

The importance of U.S. beef exports to U.S. cattle markets receives a lot of press and has been discussed before in this column. Beef exports on a value basis were record-high in 2013, but so were beef byproducts. Beef byproducts are less glamorous, and their importance sometimes is overlooked by cattle producers. However, the value of byproducts, sometimes referred to as “offal, or drop value,” also plays an important role in cattle prices.

Valuable byproducts

Beef byproducts include all items, both edible and inedible, from harvested cattle that are not part of the dressed carcass. The hide is the most valuable byproduct and usually accounts for about one-half of the total byproduct value. Other beef byproducts include items such as edible and inedible tallow, livers, hearts, tongues, oxtails, tripe (stomach), and meat-and-bone meal. Edible byproducts are often referred to as variety meats.

Values for individual beef byproduct items are influenced by many supply and demand factors. Export demand is especially important because the amount of U.S. byproducts produced is large in comparison to domestic demand. For example, many hides are exported to overseas customers to be processed into leather and leather products. So, economic conditions around the world and the value of the U.S. dollar relative to other currencies affect byproduct values. Strong economies with robust automobile and leather clothing sales

certainly help the demand for leather.

Tastes and preferences for traditional beef cuts and variety meats differ throughout the world. Fortunately, some foreign customers actually prefer variety meats such as livers, hearts and tripe — unlike many U.S. consumers. Tongues, for example, are popular in Japan. In some countries, particular variety meats are considered luxuries or used for medicinal purposes. In other countries, a variety meat may be a cheaper source of protein for lower-income consumers. The USDA Economic Research Service (ERS) published a much more in-depth explanation of uses for byproducts titled *Where's the (Not) Meat? Byproducts from Beef and Pork Production*, which is available at www.ers.usda.gov/media/147867/ldpm20901.pdf.

The USDA Agricultural Marketing Service (AMS) publishes a daily *USDA Byproduct Drop Value* report for fed cattle. It is available at www.ams.usda.gov/mnreports/nw_ls441.txt.

AMS reports the quantity, price and value for a number of the most important

byproducts, both for a typical 1,360-pound (lb.) steer and a combined steer and heifer (1,300 lb.) category. Values are reported on a per-hundredweight (cwt.) live basis.

As I write this article, the byproduct value for a 1,360-lb. steer was quoted at \$14.81 per cwt., or \$201.42 per head. AMS reported the market value of an average live steer at \$130 per cwt., so byproducts amounted to more than 11% of the steer value. Values of selected individual byproduct items included the steer hide at \$7.43 per cwt. (\$101 per head), tongue at \$1.02 per cwt. (\$13.87 per head), meat-and-bone meal at 87¢ (\$11.83 per head), oxtail at 66¢ (\$8.98 per head), liver at 42¢ (\$5.71 per head), and heart at 22¢ (\$2.99 per head).

AMS also issues a *Weekly USDA Byproduct Drop Value (Cow)* report. It is available at www.ams.usda.gov/mnreports/nw_ls444.txt.

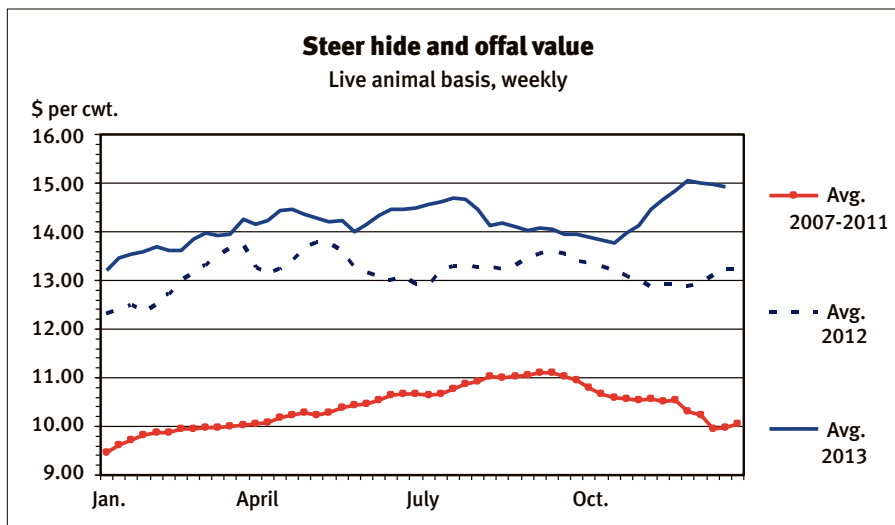
The report lists the quantity, price and value for important byproducts from a typical 1,100-lb. cow. When I wrote this article, the cow byproduct value was estimated at \$15.13 per cwt., or \$166.43 per head. A 1,100-lb. cow selling for \$75 per cwt. would have a market value of \$825. So, byproducts would amount to about 20% of the cow's value.

Fed-steer byproduct values increased to record-high levels in the first part of 2008 at \$12 per cwt., but the U.S. and world economic crisis sent values plummeting to \$6 by the end of 2008. Values began improving in late 2009 as economic conditions improved. Gradual improvement throughout 2010 resulted in record-high values again at more than \$12 by year's end. Continued gradual improvement fueled by strong export demand has resulted in the current record-high values near \$15 per cwt.

Both supply and demand factors will affect beef byproduct values in 2014. Projected lower fed-cattle and cow slaughter and continued strong export demand should support byproduct values at near record levels.

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Editor's Note: Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.



Source: Livestock Marketing Information Center, 12/30/13, USDA AMS