

With a market shift from commodity beef to value-added beef, traceability may find a home in the U.S. cattle industry.

Story & photos by Meghan Richey

The beef industry is coming of age, and a new beef industry is emerging,” says Derrell Peel, professor and Extension livestock marketing specialist at Oklahoma State University (OSU). “In today’s commodity-based beef industry, pounds trump quality every time. There has traditionally been little incentive to go after value-added beef production. But all that is changing.”

Peel says the new beef industry will be centered around the value of traceable information and that, consequently, value-added beef will replace much of the commodity beef production.

“The industry, or at least the vast majority of it, appears to be headed toward a fully traceable information system that can integrate regulatory, marketing and management needs in a single record system,” he says. “As segments of the beef supply chain recognize the need and incentive of keeping traceable records, the new beef industry will be less commodity oriented and more focused on value-added products.”

“Often the increased value in value-added products isn’t in the product’s attributes; it’s a change in the information that accompanies the product,” he explains. “To develop value-added beef we need to change the way we collect and deliver information through the supply chain, and that can be accomplished with traceability.”

Responding to a call for change

The 2005 National Beef Quality Audit (NBQA) developed two main industry goals for 2010: 1) clarify market signals that encourage production of cattle, carcasses and cuts that conform to industry targets; and 2) increase age and source verification to build supply lines of cattle to fit domestic and export markets.

“The first goal is essentially value-based marketing and the second is market-driven traceability,” explains Nevil Speer, professor of animal science at Western Kentucky University and contributing editor of *Calf News*.

The New

One problem with the current commodity beef industry, according to Peel, is that clear market signals rarely, if ever, make it back to the correct segments of the supply chain, and as a result, there have been few rewards for product enhancement. And without enhancing products for specific industry targets, Speer says that you aren’t going to have value-based marketing.

Speer points out that another problem with a commodity beef industry is that it doesn’t reward traceable information such as age and source verification.

“Data from the 2000 NBQA and IMI Global show that 0.3% of all cattle were source-verified in 2000 and no quantifiably significant percentage of cattle were age-verified. By 2005 those figures had grown to 1.5% source-verified and 1% age-verified,” Speer says. “Estimates for 2007 put age and source verification at about 6% of all cattle. There’s definitely been an improvement as some segments seek to add information in producing value-added beef, but there’s still lots of upside potential.”



►“The question isn’t if traceability is going to happen, it’s how will we do it,” says Derrell Peel, OSU professor and Extension livestock marketing specialist.

Creating value out of information

Eighty-five percent of consumers state that knowing where their food comes from is important to their purchasing decisions, according to a 2007 survey with 4,508 respondents conducted by Zogby International. In addition to the food’s attributes, consumers make intentional purchasing decisions based on the information available about the product.

“Information is the key to value-added beef production,” Peel says, “and traceability provides the means to deliver information.”

“Traceability facilitates value-added, market-driven attributes,” Speer agrees, noting that individual animal identification (ID) is an important part of a traceability system. With animal ID carried through the supply chain to the end user, Speer says that information can be provided to the consumer about attributes such as age, source, “natural” status, hormone use, humane handling and breed, among others.

Traceable ID can also influence consumer purchasing decisions in the case of animal disease incidents, Speer adds. “Disease



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outbreaks, or simply the perception of an outbreak, undermines consumer confidence. Controlling disease offers financial benefit by protecting marketability, value and business continuity. Traceable ID can provide consumers with the information they need to become and remain confident in their beef purchasing decisions.”

Bill Helming, an agribusiness consultant and economist who founded Cattle-Fax, says that before traceable information can reach the consumer, it's vital that cattle feeders receive individual ID data. Holding a position in the center of the supply chain, they communicate with both producers and packers and act as an important link in the transmission of information that affects product enhancement.

“To better increase value-added and branded beef production and merchandising opportunities, larger-scale feedlot owners and operators must have more ID data for each animal from the time they purchase the feeder cattle through at least the beef packing and carcass quality level,” Helming says. “By having this data,

many of the increased production efficiencies and the value-added beef production opportunities are realistically achievable for those who take the value-added approach as opposed to the commodity approach.”

New consumers, too

As the new beef industry emerges, so too does a new set of consumers.

The Center for Culinary Development issued a report in August 2007 on major trends in consumer meat purchases. The report found that meat consumers are “enlightened, empowered, skeptical and emotive.” They’re looking for meat that offers “health and wellness benefits.” They practice ethical consumerism, meaning they want to purchase “healthy meat that came from happy animals.” They’re looking for meat purchases to fulfill their desire for “affordable indulgence.” And don’t forget the Zogby survey showing that the vast majority wants source verification, too.

Overall, these new consumers are looking for information, and they are less concerned about price when their information needs are met. In contrast, consumers of the commodity beef industry are highly responsive to price changes in their beef purchasing decisions, Helming says. Supply push may drive commodity beef, but Helming points to demand pull as the source of traceable, value-added beef sales.

Helming says there are 20 key pieces of information relevant to value-added beef production and merchandising. These include:

1. tenderness and taste;
2. quality and yield grades;
3. consistency of quality and supply;
4. age of beef and feed ration;
5. genetic makeup;
6. eye appeal and color;
7. weight and portion size;
8. fresh vs. frozen;
9. fat content;
10. use or nonuse of growth hormones;
11. use or nonuse of antibiotics;
12. grain-fed vs. grass-fed;
13. food safety;
14. U.S. vs. foreign origin;
15. preparation time and convenience;
16. package design and specifications;
17. nutrition information;

18. new product development;
19. precooked vs. raw; and
20. price.

“If we want to satisfy consumers and motivate them to buy beef, we need to supply them added value in the form of traceable information,” Speer concludes.

Sooner rather than later

“The question isn’t if traceability is going to happen, it’s how will we do it,” Peel says.

Is the industry motivated enough to implement traceability as part of a voluntary system like the National Animal Identification System (NAIS), or will it have to be mandated, he asks. Will it take a market push, government push or industry push? Will we take a comprehensive approach or implement it in a piecemeal fashion?

“The answers to these questions will determine how fast it will happen, how costly it will be and how quickly it turns into a net value rather than a net cost,” Peel explains. “I believe industry-wide traceability is going to happen and that it’s going to be a net value. We’ll look back one day and wonder why we didn’t do it sooner.”

He says that as traceability takes hold in the industry, some producers will have to change their attitudes.

“They’ll have to form a greater commitment to the value chain, and instead of seeing a loss of independence, they’ll see a new opportunity. Instead of seeing a loss of anonymity, they’ll see brand identification,” Peel says.

“The future of the industry offers tremendous opportunity with traceability and value-added beef,” he continues. “The industry can do a lot to make this change less costly and more beneficial and do it sooner rather than later.”

The bottom line

“The bottom line is that the commodity approach does not require a lot of cattle ID data and traceability, but the value-added and branded beef approach does,” Helming says. “Those producers, feeders and packers who take the cattle ID and traceability road can expect to be financially well-rewarded for doing so. Value-added beef production is the real future of the new beef industry.”



► “Traceable ID can provide consumers with the information they need to become and remain confident in their beef-purchasing decisions,” says Nevil Speer, professor of animal science at Western Kentucky University.