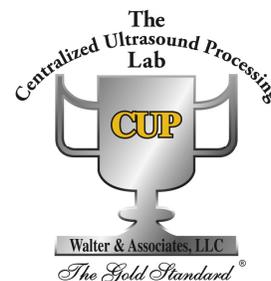


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You Get What You Pay For

The increased demand for high-quality grade beef

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A change in marketing strategy by a major American retail outlet has intensified the focus on beef genetic selection.

Late this summer, the Choice/Select spread was a few cents. By November, it was nearly 20 cents. Ongoing factors such as the diminishing U.S. cowherd have contributed to the increase, but there is more to the story. This fall retail giant Wal-Mart announced a change in merchandising strategy, emphasizing Choice beef over Select. Wal-Mart sells \$260 million of groceries annually from 3,800 stores, and will continue to offer Select cuts, but the Choice offerings highlight a national trend that experts say is likely to continue.

“The Choice/Select spread is going to settle in and stay awhile,” says Dr. Larry Corah, vice president of supply development for Certified Angus Beef, “for two reasons. One is consumer preference, and two – everything is relative to supply.”

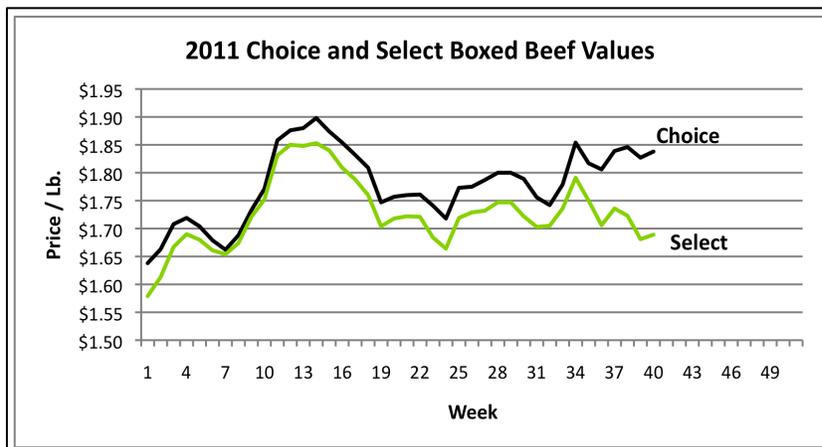
The consumer preference pattern is one Corah sees in CAB sales, despite the economy.

“As a premium brand, we were concerned when the recession hit,” he explains. “We knew it could be a tough two to three years, as people became more conservative in their spending.” But that’s not what happened. CAB sales have increased 48.1 percent over the past five years – from 544.6 million pounds per year in 2006 to 807 million in 2011. “People want a quality eating experience. As they eat at home more, they are willing to spend a little more on that piece of beef, and a recent study shows beef from the Premium Choice and Prime grades has a 90 percent probability of providing a quality eating experience.”

Corah cites an NCBA-funded study out of Colorado State University headed by Dr. Daryl Tatum, Professor of Animal Science at CSU.

“There was interest in re-evaluating the correlation of eating experience to quality grade,” Tatum explains. “Is marbling predictive of eating experience?”

The study used a panel of trained testers that assessed juiciness, tenderness, and buttery-beef flavor on various cuts ranging from Standard to Prime. It reaffirmed the premise that marbling and tenderness are the key components of the taster’s interpretation of quality beef.



Also looking at instrument grading's ability to standardize quality grade and therefore add to the diner's expectations, the study revealed a steak in the Prime grade has a 98-99 percent likelihood of producing a quality eating experience; 82-88 percent for Premium Choice grade with a moderate amount of marbling. That percentage drops significantly as the quality grade drops to 15 percent for a Standard cut with "Traces" marbling.

"Marbling has strong predictive value as beef is sorted into quality of eating experience," Tatum says of the research results.

So Wal-Mart and other retailers have listened to the consumer and the science.

The Perfect Storm

At the same time retailers stepped up to meet consumer demand for a quality beef-eating experience, "There has been a linear and dramatic decline in quality grade," says Corah. According to the October 29 USDA National Steer and Heifer Grading Report, 58.48 percent of slaughtered animals graded Choice and 3.43 percent graded Prime. That's down from a peak in Choice grade of 67 percent earlier this year.

Not only has the percentage of higher quality grades decreased, but the entire U.S. beef herd is at its lowest level since 1958. The USDA in January put the size of the nation's cattle herd at 92.6 million head, with the 2010 calf crop at 35.7 million head, the smallest since 1950.

Added to the low herd numbers is increased export demand, particularly in the Pacific Rim, an area known for its taste for quality grade beef. The USDA says exports are up 30 percent from last year, and Corah says China, Japan, and other markets are showing even more promise.

Making the Grade

All this is good news for producers who base their breeding strategies on carcass data.

"Fortunately, the trait that most influences eating quality, in terms of flavor and juiciness, is a heritable trait," says Corah, "and ultrasound is the best measure of marbling potential."

But, Corah says, there has been a flattening on emphasis on marbling, a trajectory that needs to change to meet demand. "Producers need to decide in their selection process, what traits, besides growth, to focus on," says Corah. "Given the current demand, that focus needs to be on marbling."

"It can be done," he adds. "Nationwide, 21-22 percent of beef slaughtered qualifies for CAB. But there are operations in southern Missouri that qualify 85-95 percent. Health and nutrition are part of the picture, of course, but primarily it's genetic selection."

"A tremendous amount of information has been collected by producers," continues Corah, as he highlights the value of "stacking" genetics by focusing on both sire and dam genetics to gain more predictability and trait enhancement progress. "We can't emphasize the use of technology enough."

Tatum agrees the lack of supply of quality grade meat is a concern, and that overall, it is genetic improvement that accounts for the progress thus far and the progress to come. "The genetic component is key," he says, "and ultrasound is a critical factor in that."

"It's the top two-thirds of Choice and Prime that deliver the quality eating experience people want," he adds. "And ultrasound is the critical tool to ratcheting up quality."

Producers need not worry about the cost-effectiveness of their decisions. Due to the market changes, the economic incentive is greater than ever. The price premium for Prime CAB over Select can garner upwards of \$300 per animal.

"Consumer taste is a very important consideration, and beef continues to be a positive eating experience," says Corah. "The retailers are seeing a distinct trend. Producers need to produce, and are being paid to produce, that quality product. The huge message here is the dramatic increase in the value of high quality beef."