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Better beef leads value gain

Quality, branding add nearly \$50 million per year to beef economy

By Steve Suther

When cattle gain or lose \$150 in per-head value in a week, it's easy to lose sight of what lifts that value trend over the years. A University of Missouri (MU) study of 2003-'16 boxed-beef cutout values isolates the contribution of branded and Prime sales.

The work by MU economist Scott Brown builds on the 2007 CattleFax "Value of Quality Analysis" and updates Brown's earlier finding that quality "added \$4.5 billion to the beef economy in the nine years from 2005 through 2013."

That total at the start of this year and going back to 2003 comes to \$7.28 billion, including \$750 million last year, with a 14-year average annual increase of \$34 million. The impact is rising, with the average yearly gain since 2009 at \$46 million, and up \$100 million last year.

The simple upward trend "explains 80% of the variation in quality premiums," Brown notes (see chart). Year-to-year variation comes from many factors, such as changes in global markets, income, weather and consumer preferences.

"We're calculating the wholesale value from graded fed cattle [more than 95%], comparing a baseline weighted average of the Choice and Select cutout value to one adding brands and Prime," he explains.

USDA-reported cutout values already take in such features of the market as the increasing share that is premium beef such as the *Certified Angus Beef*[®] brand. The advantage at the boxed-beef level does not translate directly to producer dollars, but it does correlate to what consumers will pay, and history shows decisions at that level drive those dollars at the farm and ranch level.

"Current markets suggest the trend toward more demand and higher prices for branded and Prime won't stop anytime soon," Brown says. "There appears to be plenty of room for growth, as their increasing supplies have not whittled away the premiums."

Particularly in the last 10 years, consumers have become much more aware that "beef is not beef," he says. "They are differentiating lower quality from high-quality beef, and they are willing to pay more for better beef."

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