



End meats add value

Most producers know the cattle cycle moves inventory and prices up and down because of supply and demand. You know something about supply, but what about demand?

Economists see it as a set of dots on a curve of how much beef consumers will buy over a range of prices. More beef sold does not necessarily signal an increase in demand; that requires more beef at equal or higher prices, or less beef at sharply higher prices. Demand changes with the economy, competing protein prices and outside factors like world trade.

Beef product demand sets cattle price because the value of a finished steer or heifer is worth no more than the sum value of its parts minus processing charges.

In the Dark Ages of beef demand, from the late 1970s to 1990s, cattle lost nearly half of their consumer demand base. The industry was not unified or knowledgeable in trying to please consumers, whose tastes were also changing. Leaner, less predictable beef did not sell as well to consumers who knew less than their parents about cookery and had less time for it. They often switched to more consistent but less flavorful proteins.

Beef demand bounced back by about 10% since the low in 1997, and the increase has supported prices at every level, including calves. The recovery was built on higher quality, carcass utilization and consumer convenience.

“Utilization” is the amount of carcass sold as whole-muscle cuts of higher value than the base of ground beef. It was always easy to sell the middle meats; in fact rib and loin values increased during the darkest years of demand, but they make up only 25% of the carcass.

It is hard to add value to already high-value cuts. Look at the tenderloin: Easy to access, known for centuries as the best of beef, but just 1% of the animal. It did not help to push its value to as much as \$15/lb. while most of the remainder sold for a tenth of that price.

The overshadowing problem was that the value of that remainder had fallen by nearly 25% over those decades, a big drag on cattle prices. Carcass utilization declined when more chucks and rounds had to be sold as commodity ground beef.

The tables are turning, thanks to beef-industry funded research into making better use of these “end meats.” Work at Nebraska and Florida universities found 39 chuck and round muscles suited for market development. The flatiron steak is the most successful item so far, but chefs continue to explore these alternatives, placing new, affordable entrees on their menus. The most popular items may later show up in the microwaveable section in retail stores.

As the tables turn, the same math that had worked against beef demand now supports it. Grilling chuck steaks at \$5 or even \$9 per pound used to sell at hamburger prices. The chuck and round make up more than half of the beef carcass, so a \$1 increase there is worth more than a \$2 increase in the already high value of middle meats.

It’s a win-win formula because adding value to end meats keeps a lid on the traditionally higher-priced cuts so that consumers don’t turn away from the meat case with sticker shock.

Research persuaded major packers to change focus, from strictly least-cost to an increasingly value-added. The change was sweeping, because none could afford to pull out just one tender muscle from the chuck. They had to commit to separating several higher-value cuts for the market, leaving only trimmings for the grinder.

It helped when packers could find higher quality beef, so they began paying proportionately more for quality. Leading brands focused on retail sales to offer affordable excellence as well as variety, convenience and deli products from the end meats. Shoppers could upgrade quality without paying more per serving.

The result has been greater carcass utilization, especially within brands that market most of each qualified carcass as branded cuts. Even trimmings have added value when they are premium brand grinds. On average, the greater utilization has added at least a dime to chuck and round values, and, according to Cattle-Fax, an estimated \$7.50/cwt. to overall carcass values.

Next time in *Black Ink*, we'll look at accuracy and risk. Questions? Call toll-free at 877-241-0717 or e-mail cabsteve@aol.com.

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