



CAB Corner on Quality
(graphic file logo for heading available on request)

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Ideas you can utilize

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Utilization makes the world go around. Think about it: we utilize time, money, energy and other finite resources in our business and personal lives. Every day we try to use them wisely, to get the most good out of them.

Something very similar happens within Certified Angus Beef LLC (CAB). We try to maximize utilization of every carcass that meets the brand's 10 quality specifications. By doing so, we bring home the most added value for the entire production chain from Angus seedstock producers to boxed beef distributors.

How do we even know what happens to each carcass, let alone affect it? We simply compare pounds sold as *Certified Angus Beef*[®] product from each qualifying carcass against its average potential. Including all subprimals from ribeyes to rounds, and all trimmings for ground beef, that could be 400 to 600 lb. of boxed beef.

CAB leads the branded beef industry in carcass utilization—that's why our licensed packers can pay \$30 to \$50 million in producer premiums each year. In 2006, our licensees "utilized" a record 300 lb. per certified carcass, selling it as CAB brand product.

The "middle meats" (ribs, tenderloins and strip loins) make up a third of those pounds, while end meats (chuck and round) and ground beef make up 175 lb. and 25 lb., respectively.

Keeping track of pounds sold helps us see where to push harder for growth on items such as ground beef and chucks, while taking note of limitations, particularly on middles. But if the potential is 400 to 600 lb., what happens to the rest, and why?

Beef from each CAB carcass meets one of three possible fates. Most is boxed and sold as CAB product to a distributor or retailer. Some may be boxed as CAB, but later sold as commodity Choice due to logistics snags. Finally, if there's no demand for certain items as CAB, they're boxed as commodity from the start, losing CAB identity at that point.

Let's look at why boxed CAB items sometimes don't reach a licensed end user.

Before the world beef markets were shaken by "mad cow" scares in 2003, sales to Japan and Korea accounted for 25 lb. per CAB carcass. That would have meant an extra 8% utilization if available in 2006, and millions more dollars would have entered the supply chain.

Domestic demand is different—in fact, some would-be premium export cuts are now sold as ground beef in the U.S. Without the export premium, packers have no incentive to box those items as CAB product.

Of course, Japan and Korea are technically open to U.S. beef, but import and production requirements have been too much of a barrier for CAB packers to justify product separation.

Here at home, logistics can kill some deals. The ability to get CAB product from a Kansas warehouse to a Boston distributor isn't as easy as loading a truck. Required time of delivery, aging, inventories and route planning can combine into hurdles too high for a sale to clear.

Seasonal demand and weekly retail specials can skyrocket sales of certain cuts, leaving others overlooked. Around Thanksgiving, retailers start featuring rib roasts while restaurants highlight prime rib for banquets. That can leave the similar quality CAB strip loin in a severe undersold position.

Any week of the year, retail featuring with a "hot" price point can increase sales of a featured item by 20 or 30 times. It can happen in scores of stores nationwide at the same time, shining all the demand light on a few cuts and potentially leaving others unsold as CAB.

As in the Angus seedstock business, relationships between buyer and seller play a major role in driving utilization. Sellers like customers who place orders and pay on a regular basis, while buyers like sellers with consistent products and services at agreeable prices. It does no good to fix all the logistical issues in the world, without good buyer-seller relationships.

At CAB, we try to manage and increase carcass utilization by working with our licensees in discovering new ways to prepare and sell end meats and ground beef. We also work with end users on new ways to serve familiar cuts such as the top sirloin. We dedicate staff resources to establishing buyer-seller connections, and we constantly build brand awareness and education to drive demand for the entire carcass.

That's how we add to the growing value that the CAB brand brings home to your high-quality cattle.

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