

for immediate release **NEWS**

October 20, 2009

Executive Office

206 Riffel Rd.

Wooster, OH

44691-8588

Phone: 330/345-2333

Fax: 330/345-0808



Manhattan Office

1107 Hylton Heights Rd.

Manhattan, KS

66502-2822

Phone: 785/539-0123

Fax: 785/539-2883

Japan Office

Japan Business Center

WBG Marive East 14F

Nakase 2-6 Mihama-ku

Chiba-shi, Chiba 261-7114

Japan

Ph.: 011/81-43-297-3363

Fax: 011/81-43-297-3374

www.

certifiedangusbeef

.com

Steve Suther, Industry Information Director, ssuther@certifiedangusbeef.com
Certified Angus Beef LLC (785) 889-4162

Photo available at: http://www.cabpartners.com/news/photos/2009_Leopold_Julian.jpg

Demand for CAB outstrips Choice

When times are lean, sales of luxury items are typically the first to fall off. However, when it comes to beef, it appears that consumer demand for the higher quality and pricier *Certified Angus Beef*[®] (CAB[®]) brand held up better than that for USDA Choice or lower grade beef.

What has been called an “economic collapse” in fall 2008 led many observers to speculate that the demand for premium brands would give way to lower-quality alternatives. Industry analysts Julian Leopold and Daniel Bluntzer, of Leopold Foods and Frontier Risk Management, respectively, dug deeper. They set out to explore the short- and long-term value and demand dynamics of the CAB brand versus Choice beef that would quantify the branding value of CAB.

To gather information, the two looked at pricing and volume data based on sales of the 15 highest-volume CAB cuts, not including ground chuck and round, and accounting for nearly 75% of total brand sales. The USDA “National Weekly Boxed Beef Report” provided data on Choice, while CAB pricing came from the Urner-Barry *Yellow Sheet* and volume from brand records.

Results were strongly supportive of premium brand value in this case. Overall, they showed that in four years (2005 to 2008), demand for the CAB brand brought in \$367 million dollars more at the wholesale level than it would have if sold as Choice product.

Expressed as a percentage, the combination of CAB price and volume showed a 26.9% advantage over Choice grade beef in those four years. Conventional wisdom would suggest that could not hold up after the economic recession hit, but that would be wrong.

In fact, the CAB advantage over Choice more than doubled, to 56.1% when the sales and pricing data include the first half of 2009 vs. 2005, on a 22.4% increase in volume.

“The findings clearly show that CAB pricing, volume and revenues held up far better during tough economic times, compared to USDA Choice,” Leopold said. Granted, CAB pricing declined 10.3% for the first half of ’09 versus a year earlier, but Choice pricing fell harder, by 12.3%. Moreover, CAB sales volume rose 4.6% in that time period, on top of a 4.5% increase the previous year.

Even with lower prices, the market placed an extra \$56.7 million value on these 15 representative CAB products, compared to their value if sold as generic Choice, a 21.1% increase from the same

period a year earlier. “With overall revenues falling in the beef industry, this is precisely what we would hope to see in an established premium brand,” he said.

While many observers from academic to producers tend to worry about a narrower Choice/Select spread, Leopold said that misses the point by not including volume. “During a time of sluggish beef demand, total revenues for Choice beef still managed to increase 5.6% from 2005 to '09 – but CAB licensees have been able to garner 8.9% more by selling as a premium brand,” he explained.

“It is fair to say that the consumer continued to support the CAB brand during the recession, paying more for it, perhaps as a reward for a special meal at home,” Leopold concluded.

Note: Additional charts and information available at www.cabpartners.com/news/research/

END

CAB and CH Pricing and Volume Data - % Changes

	2008 vs 2005	YTD 2009 vs 2005	YTD 2009 vs 2008
CAB 15 Item Wtd Avg Price	-2.9%	-11.2%	-10.3%
Choice 15 Item Wtd Avg Price	-4.1%	-13.9%	-12.3%
CAB Volume	+14.1%	+22.4%	+4.6%
CAB Packer Wholesale \$ Generated	+11.2%	+8.9%	-6.2%
CAB Branding Value over Choice	+26.9%	+56.1%	+21.1%

