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Photo available at: http://www.certifiedangusbeef.com/sd/news/photos/dykstra_paul.jpg
(Contact for data on line graph if needed)

More high-quality beef hits consumer target

U.S. beef keeps getting better. The past year provided another leg upward in the recent trend toward higher quality grades in fed cattle, which drive boxed beef prices.

“USDA Choice and Select are the two leading volume grades,” explains Paul Dykstra, beef cattle specialist with Certified Angus Beef LLC (CAB), who tracks weekly variations in grading reports. “Brands and specifications further define a pleasurable dining experience, but quality grade still sets the baseline bar for price.”

Choice beef is usually worth more than Select, and the difference, the weekly Choice/Select spread is a key to value-based grid marketing. “Certainly, the Prime grade is more valuable, but only 2% to 3% of cattle typically hit that level of marbling,” Dykstra notes. “Some branded programs capitalize on the distinct difference in marbling premium Choice and the lower third, further driving value there.”

In 2000, the share of cattle grading Choice in U.S. packing plants averaged 52.6%. Through 2007, that number only wavered by about 1% on an annual basis (See graph). Those figures don’t jibe with most USDA historical charts, because those tend to log pounds of beef rather than cattle.

“The nearly flat line for seven years is not too exciting on a long-term line graph,” Dykstra says. “Even on a billion pounds of beef, 1% isn’t much, relatively speaking.”

But something was starting to happen in the Southern Plains in late 2006, with Texas and especially Kansas grades moving significantly higher.

“When Nebraska joined in, we saw the national Choice percentage break short-term records, and the 2008 national average hit 56.2% Choice,” he says. “The surge was still rooted in Kansas, where that seed of an upward trend took on a monumental slope.”

The annual level of Choice product in Kansas moved 8.3 percentage-points higher to 54.4%. That increase not only stuck, but it was bested in 2009, when Kansas packers enjoyed another 3.8 percentage-point annual average increase in the share of Choice grading cattle. That moved the state’s average to 58.2% for the year, a level normally reserved among the big three packing states for quality-rich Nebraska.

The 2009 national average for Choice finished 3.5 points higher to the 59.8% mark, the highest in 15 years.

“Will Kansas see that trend continue and lead the national grading trend still higher? As we begin 2010,” Dykstra says, “the bar has simply moved higher.”

Although things had fundamentally changed in Kansas, the Nebraska beef coolers were really “heating up the grade in 2009, too,” he says. A huge jump there out-distanced the other two packing states that USDA details in its weekly reports.

Nebraska moved from a 2008 average of 61.8% Choice to 67.6% in 2009, topping out the Prime grade at the same time. Cattle harvested in the Cornhusker State were 1 percentage-point higher in that category so that the Prime share of the mix ended the year at an unofficial 4.63% average. Twice, in late October and again in early December, the weekly Prime level for the state surpassed 6%.

“Not to be outdone completely, Texas packing plants saw their highest grading during the past three years of the decade, too,” Dykstra reports. “With a 10-year average of 43.8% Choice grading, Texas packers enjoyed a small but sustained upward movement to 46.5% Choice to wrap up 2009.”

Nationwide, data for the second half of the year indicates a steady flow of black, Angus-based cattle into the mix. Those eligible for the *Certified Angus Beef*[®] (CAB[®]) brand and other Angus-based programs moved up to average of 62.3% of harvested cattle. Among CAB-licensed plants, that share of cattle had been on the rise, climbing from 55.1% in 2007 to 60.1% last year.

At the same time, marbling levels across the country have led to just a little over 23% of cattle hitting that “Premium Choice” target in 2009. CAB, which requires nine other specifications for acceptance, ended the calendar year qualifying an average of nearly 20% of those eligible, some 2 percentage points higher than 2008, which was that much higher than 2007.

“These increases have been attributed to many factors by industry experts,” Dykstra recounts. “Many of them cite genetics, nutrition and weather conditions conducive to higher marbling. Still, trend predictions have not been easy to ground in the data or confirm in the results.

“Better grading cattle make for a more satisfied consumer, whether it’s a home-cooked roast or a restaurant prime rib,” he adds. “Setting aside the troubled economy, the benefits of a juicier, more flavorful and tender product will be measured in returning customers and higher beef demand down the road.”

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Annual Percent Choice Beef Grade in U.S. and Key Beef Packing States

