

Certified Angus Beef® Brand Wholesale Demand Analysis

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Background

- The *Certified Angus Beef*® brand (CAB®) was established in 1978 as the first USDA certified brand.
- CAB is a premium brand of beef and, with 10 carcass specifications, more highly selective than USDA Choice.
- Certified Angus Beef LLC is a marketing organization solely owned by the American Angus Association. It licenses the use of its brand to packers, purveyors and end-users and pursues marketing strategies to increase demand for Angus cattle.
- With the economic collapse in the fall of 2008, some have speculated that demand for premium brands would suffer.

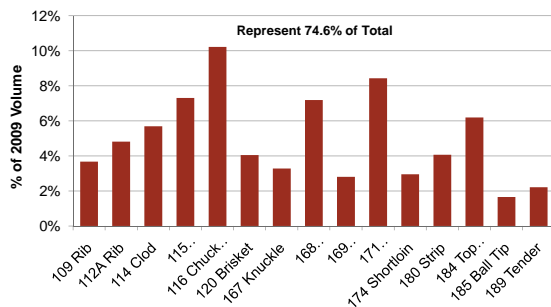
Purpose

- To explore the short- and long-term value and demand dynamics of the *Certified Angus Beef*® brand in relation to USDA Choice beef
- To quantify the “branding value” of the *Certified Angus Beef*® brand

Methodology

- Pricing and volume data for both USDA Choice beef and the *Certified Angus Beef*® brand (CAB®) were analyzed
- The 15 highest volume CAB cuts were utilized along with their USDA Choice counterparts
- The 15-cut sampling accounted for nearly 75% of total CAB sales (ground chuck and ground round were not included)
- The USDA-AMS reporting service (XB 459 – National Weekly Boxed Beef Report) was used for USDA Choice pricing and volume data
- The Urner Barry *Yellow Sheet* was used for CAB pricing
- Certified Angus Beef LLC provided CAB volume data

CAB Representative Items for Analysis



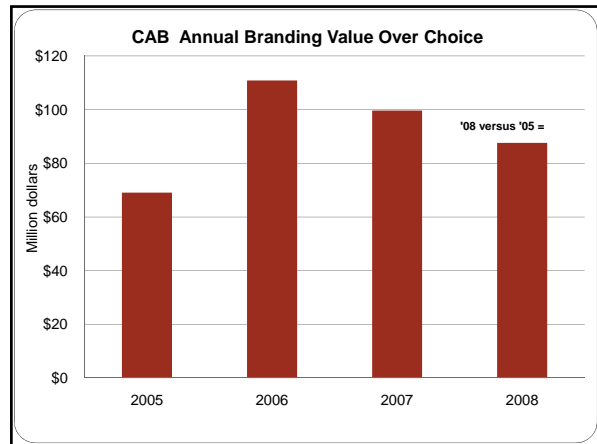
CAB and CH Pricing and Volume Data

| | 2005 | 2006 | 2007 | 2008 | 2009 YTD* |
|----------------------------------------|---------|---------|---------|---------|-----------|
| CAB wtd Price, \$/lb | \$ 3.15 | \$ 3.34 | \$ 3.22 | \$ 3.05 | \$ 2.74 |
| CH wtd Price, \$/lb | \$ 2.93 | \$ 2.98 | \$ 2.92 | \$ 2.81 | \$ 2.48 |
| CAB Volume, mil lb | 313.3 | 308.0 | 342.0 | 357.4 | 222.2 |
| CAB Packer Wholesale Revenue, mil \$ | \$982 | \$1,028 | \$1,098 | \$1,092 | \$608 |
| CAB Branding Value Over Choice, mil \$ | \$69 | \$111 | \$100 | \$88 | \$57 |

*Jan - July

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% |



- Key Findings**
- Comparing 2009 (through July) to 2008
 - CAB pricing decreased 10.3% versus a 12.3% decrease in Choice
 - CAB volume rose 4.6%
 - Comparing 2008 to 2005
 - CAB pricing decreased 2.9% versus a 4.1% decrease in Choice
 - CAB volume increased 14.1%
 - CAB product generated \$110 mil (11.2%) more in revenue in 2008 versus 2005.
 - From 2005 to July, 2009, CAB added \$425 mil to the value of Choice carcasses sold by the packer.
 - The branding value of CAB increased 26.9% from 2005 to 2008.
 - In 2009, the branding value increased 21.1% compared to 2008.

- Conclusions**
- Demand for CAB has outpaced that of USDA Choice
 - In tough economic times (2009), CAB price decreased, but to a lesser degree than Choice, suggesting “brand resilience” in the marketplace
 - Since 2005, CAB has added more than \$400 million to the beef industry at the wholesale level