for immediate release

NEWS

May 4, 2018

Contact: Miranda Reiman, Director, Producer Communications
Certified Angus Beef LLC
MReiman@certifiedangusbeef.com (308) 784-2294

PHOTOS: http://www.cabpartners.com/news/photos/gary-smith.jpg
http://www.cabpartners.com/news/photos/dustin-pendell.jpg

U.S. beef industry finds $1.1 billion

Billions more in 'lost opportunities' await

By Diane Meyer

The beef industry still forfeits 22% of the money it could pull in each year, says meat scientist Gary Smith. The Texas A&M and Colorado State University professor worked with Kansas State University economist Dustin Pendell to review progress since a 1990 paper by then National Cattlemen's Association economist Chuck Lambert.

That report, "Lost opportunities in beef production," calculated a 27% shortfall then, or $12 billion annually in gross revenue from inefficiency in 11 areas. Reproductive performance, death loss, weaning weight, multiple processing, feed efficiency, retail shrink, out-of-stocks, hot-iron branding, outlier cattle, excess fat and management losses made the list.

Pendell says, "Moving up 5 percentage points represents a win for the beef industry, but the good news is there's still a lot of potential gain available."

Smith notes progress in some areas tracked by subsequent National Beef Quality Audits, but seven of the 11 areas had not been tracked in the last 28 years. "We had an opportunity to put together the numbers; we've actually regressed in retaining value from excess fat, death loss, and retail shrink."

Excess Fat. Losses from external fat greater than a quarter inch tallied $4.41 billion in the 1990 paper and helped trigger the "War on Fat" in those days. Costs came from feeding too long, weight lost in carcass trimming, labor and rendering fat at 20% of beef value.

That issue came top of mind again in 2016 when USDA required grinding logs at retail. Hardly workable in practice, that forced more inedible fat sales to renderers, Smith says.

"If we can incorporate it, it's coming from the packer level," he adds. "We can take something that's going to be worth a few cents to a renderer up to a few dollars because we can blend it and sell it in these products, ground beef, which is 52% of all beef we sell."

Pendell says those log requirements will mean higher prices for consumers on one hand and wholesale buying refusals that will pass more discounts back up the chain to producers to adjust management and genetics.

"It's going to be a loss to the industry in the short run, no doubt about it," he says. "In the long run, feeders can adjust or processors can find another use for the fat to add value at retail."

The beef community has pushed and achieved higher quality grades, Smith says, "primarily because of the development of upper-two-thirds Choice programs like CAB [*Certified Angus Beef*®]," but has not improved the yield grade in 40 years.

"We have shifted toward taste appeal and away from lean," Smith says. "Get rid of the excess external fat if you can, but absolutely make certain that you keep all the taste fat, which is marbling."

Death Loss. In 1990, 6.5% percent of calves died between birth and intended harvest – a $1.86 billion loss. That figure increased to 7.6% over the last 30 years, despite a 5-point improvement in reproductive performance during that same period. Smith points to factors like dystocia, weak calf syndrome, extreme temperatures, pneumonia, scours and bovine respiratory disease (BRD), noting, "BRD alone is a hundred-million-dollar loss per year."

Retail Shrink. Retail shrink accounts for those dark colored meat packages that do not sell. Retailers no longer refurbish or grind but may offer a "Manager's Special" – a 25% to 50% discount over 36 hours before throwing it away, based on one Texas supermarket's policy.

The 1990 paper figured 6% retail shrink, accounting for $852,000 in losses. Now, 4.8% of products are marked down and sold, and another 5.2% are thrown away, so that's an increase. "Most people are taught from their youth, if you want to buy fresh beef, it's bright cherry red," Smith says.

Supplementing with vitamin E in the feedyard would cost $1.50 per head and add three days of case life, Smith says, but market demand has never pushed a premium back to the feedyard level.

On the ranch. Reproductive performance saw slight improvement from the first noted 80% weaning rate and estimate that moving to 95% would recover $2.6 billion per year. That reproductive performance is now at 85%, thanks to minimizing open cows and understanding the geographical impacts on calving. "We can use selective breeding within breeds, or crossbreeding for heterosis to help us improve upon that even more," Smith says.

The beef industry has moved 5 pounds beyond the 50-pound-increase goal for weaning weight, where 550 pounds would mean close to another $300,000 annually. "About 70% of our progress is genetic and 30% management," Smith says. "In the Angus breed, there's 50 pounds of weaning weight that came from genetics."

The industry gained $426 million per year by reducing the number of outlier cattle – dark cutters, lower than Select grade, yield grade 4 or 5 and "out of the norm in terms of weight." The 12.4% of carcasses weighing more than 1,000 pounds represents an opportunity "we have not capitalized upon," Smith says.

"This is what the packer really wants," he adds. "You can call it a bullseye if you have Prime or Choice, if the ribeye is 12 to 16 inches, if the yield grade is 1 or 2, if they have no defects."

Economist Pendell says 5 percentage points in 30 years may not seem an impressive gain on efficiency, but it came despite many changes no one anticipated.

"There will be similarly unexpected changes in the next 30 years, so another 5-point gain may not be a bad goal," he says. To beat that mark, he suggests keeping a lid on costs. "That's something you can control as a manager."

Smith presented these findings at Cattlemen's College during the Cattle Industry Convention in Phoenix earlier this year.

END