

A Focus on Quality

by JOHN STIKA

Raise your hand if you think — based on title alone — this article will focus solely on the importance of marbling.

Those of you sitting around the kitchen table with your hand in the air, feel free to put your arm down now. Rest assured the focus here encompasses the broader perspective found more often in the beef industry today. “Quality” cattle offer profit potential to all sectors of the beef production and merchandising chain.

The word still refers to marbling and USDA quality grade, but high cutability and feedlot performance expectations have been added to the working definition. As the industry evolves in response to consumer demands, a “quality” group of cattle always must result in beef that consistently exceeds consumers’ expectations for dining satisfaction. But to optimize value to the industry, these cattle must have gained rapidly, fed efficiently and yielded a carcass free of excessive fat and trim losses.

Over the past 22 years, *Certified Angus Beef*™ (CAB®) products have established a solid reputation for exceeding consumer expectations for taste and satisfaction. But even the best can be made better in every sense of the “Q” word, simultaneously increasing potential returns on investment across the production and marketing spectrum.

Two points jump out from the Certified Angus Beef LLC (CAB) fiscal year

(FY) 2000 certification numbers (Table 1). First, the CAB acceptance rate of 18.3% means only about nine carcasses of every 50 eligible live cattle meet each of the eight carcass specifications required for certification. Secondly, more than two-thirds of all certified carcasses are Yield Grade (YG) 3, with the remainder primarily YG 2.

Room to improve

As demand for consistently satisfying, well-marbled beef continues to grow, the need to increase the CAB acceptance rate is apparent. There are two primary ways to increase the number of eligible carcasses meeting CAB specifications: (1) increase marbling scores and (2) improve yield grades by reducing external fat cover, increasing ribeye area or doing both.

It is probably no surprise that the most limiting factor in CAB acceptance is marbling. An analysis of the CAB carcass database by researchers at Iowa State University (Table 2) implicates insufficient marbling 82% of the time as the sole reason a carcass from an animal that met the live specifications fails to certify. However, as one could predict from the high percentage of YG 3s among certified carcasses, excessive adjusted yield grades, independent of marbling score, eliminate a lot of eligible carcasses from the supply.

Data analysis suggests that approximately 6% of carcasses failing certifica-

tion do so as a result of yield grade defects (for example, excessive external fat thickness, insufficient ribeye area or both). Unlike the 8% of eligible carcasses identified during data analysis that were YG 4 or 5 and low-Choice or worse, this 6% represents a population of cattle that could be an asset to the beef industry. If appropriately managed throughout the production system, additional dollars could be realized through the presence of quality-grade premiums and the absence of yield-grade discounts.

Lost revenue potential

The FY 2000 data can be used to derive the potential value to the beef industry of a 1% increase in the CAB acceptance rate (Table 3). By increasing the cer-

Table 3: Value created by increasing CAB® acceptance rates 1% during FY 2000

| | | |
|---|-----------------|-----------------------|
| Eligible cattle identified | 10,500,000 head | |
| CAB acceptance rate increase | x | 1% |
| Additional carcasses certified | | 105,000 head |
| Average hot-carcass weight | | 779 lb. |
| CAB carcass premium | x | \$3/cwt. |
| Average per-head CAB premium | | \$23.37 |
| Potential value added to the production sector | | \$2,453,850 |
| Additional carcasses certified | 105,000 head | |
| Average CAB carcass utilization | x | 288 lb. |
| Additional CAB product sales | | 30,240,000 lb. |
| Product distribution & approximate premium/lb. over low-Choice @ retail | | |
| 70% end meat sales (2¢/lb. premium) | | |
| 30% middle meat sales (\$1/lb. premium) | | |
| Average premium/lb. for CAB product over low-Choice @ retail | x | 31¢/lb. |
| Potential value added to the beef industry | | \$9,374,400 |

Table 1: FY 2000 summary and CAB® carcass yield-grade distribution

| | |
|--|-------------|
| Eligible cattle identified, million head | 10.5 |
| Carcasses certified, million head | 1.9 |
| CAB acceptance rate, % | 18.3 |
| Average hot-carcass weight, lb. | 779 |
| Yield Grade (YG) distribution, % | |
| YG 1 | 1.7 |
| YG 2 | 31.0 |
| YG 3 | 67.3 |

Table 2: Major factors eliminating eligible carcasses from certification

| Eliminating factors | % eliminated | |
|---|-------------------|-------------------|
| | Steers (n=75,808) | Heifers (n=5,196) |
| Insufficient marbling ¹ | 84.02 | 82.56 |
| Insufficient marbling & excessive adjusted YG | 8.28 | 5.20 |
| Excessive adjusted YG ² | 6.13 | 5.77 |
| Advanced maturity ³ | 0.01 | 0.64 |
| Dark-cutting characteristics | 0.01 | 0.23 |

¹ Marbling scores must be at least Modest⁰⁰ (average-Choice).

² Adjusted yield grades must be 3.9 or better.

³ Carcasses must exhibit physiological maturity classification A.

tification rate from 18.3% to 19.3%, an additional 105,000 carcasses would have been available to enter the CAB supply chain. If those cattle were sold through a typical value-based marketing system that pays premiums for carcasses that meet CAB specifications, an additional \$3/hundredweight (cwt.) could have been achieved.

With an average hot-carcass weight (HCW) of 779 pounds (lb.), the average per-head CAB premium could approach \$23.37.

When multiplied across 105,000 carcasses, the production sector of the industry could have realized an additional \$2.4 million had acceptance rates been that single percentage point greater.

More good news would follow an effort to increase the supply of CAB brand product by managing quality and yield grade. For example, one also would expect subsequent increases in the percentage of USDA Prime and Choice, as well as the percentage of YG 1s and 2s — premium categories on most marketing grids.

Perhaps more importantly, the percentage of discount or out carcasses (USDA Standard and YG 4 and 5) should be reduced, eliminating the sizable (\$15-\$35/cwt.) discounts the industry justifiably places on such carcasses.

If we were to extend this analysis to the consumer, we could establish more support to maintain a total-quality focus with regard to the product our industry produces. During FY 2000, licensed packers sold an average of 288 lb. of each certified carcass as CAB product. This equates to an additional 30.2 million lb. available for sale through CAB-licensed end-user accounts.

On a whole-carcass basis, we might as-

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sume retailers can sell CAB product (middle and end meats combined) for an average premium of 30¢/lb. over low-Choice, with variations due to featuring. The math suggests the entire beef industry could have realized an additional \$9 million in revenue by providing beef consumers with a larger supply of well-marbled, high-cutability beef.

The take-home message is that there are financial benefits to focusing on the total-quality picture. As "case-ready" merchandising of beef becomes more commonplace at the retail level and larger volumes of fed cattle are marketed through value-based systems, it is clear that increasing emphasis will be placed on



producing cattle that combine superior marbling with exceptional cutability.

Although sometimes considered antagonistic traits, the genetics and management tools are currently available to produce cattle to hit this "total-quality" target.



Editor's note: This commentary was written by John Stika, director of feeder-packer relations, and was provided by Certified Angus Beef LLC.