



# Your Link to

by **LARRY CORAH**, CAB vice president of supply development



## The trend toward branded products

Most producers remember when the main discussion points on “branding” had to do with live cattle, technique and positioning so the brand could be easily read. Today, more attention is paid to branding the beef product.

The concept has made great progress in recent years and has an exciting future. But before we speculate on that, let’s look at how the tradition-bound beef industry arrived where it is today.

In the 1950s, the emerging availability of grain-fed beef made a positive impact on the taste buds of consumers, who had preferred pork. Gradually, larger feedlots with capacities for several thousand cattle began to supplant the typical 50-head farmer feedlots.

A kind of “beef industry” evolved, focusing more and more on efficiently meeting strong consumer demand. By

the mid-1970s, beef was king. Not incidentally, 75% of the cattle graded USDA Choice, which at that time required at least a “Modest” degree of marbling.

Then, misreading consumer demand, the industry successfully lobbied to lower USDA grading standards. Suddenly, cattle with a “Small” degree of marbling were no longer “Good;” they were Choice. There was no more Good grade. Its lower portion combined with what had been upper Standard to become the new Select grade.

The influx of breeds from continental Europe helped drive the changes, from how cattle looked to how their products performed on the plate. Dietary concerns helped launch a “war on fat.”

### Lean years

But the industry did not yet

understand that it could reduce waste fat while keeping the taste fat, so less emphasis was placed on beef quality. Consumer demand started a 22-year decline.

This was the bleak landscape that forged the *Certified Angus Beef*® (CAB®) brand. But most of the industry continued to struggle through these “lean years.”

In 1998, after successive National Beef Quality Audits (NBQAs) raised awareness, the industry resolved to address declining demand to ensure a viable future. New product research led to the first successful — and “branded” — microwaveable products.

Consumers were beginning to notice beef brands, while on the industry side, consolidation from cattle feeding to retail sales helped focus more attention on the advantages of branding.

In 1999, prominent Purdue University agricultural economist Michael Boehlje said the “New Agriculture” of the 21st century would focus on global marketing, industrialization, differentiated (branded) products and formation of food supply chains.

Since then, despite world trade uncertainties related to bovine spongiform encephalopathy (BSE), the industry has enjoyed recovery and excellent growth in beef demand, with record-high prices. New beef cuts and microwaveable products have become readily available to consumers who are increasingly shopping for brands.

years later, Laura’s Lean Beef®, Harris Ranch® and Maverick Ranch Natural Meats® brands appeared, and by the mid-1990s we saw packer brands such as Angus Pride® and Farmland® Black Angus Beef. In 1995, Certified Hereford Beef® began and has been another breed-based success story, while scores of other brands began dotting meat counters across the country.

Other proteins preceded beef in successful branding. The poultry industry had been selling branded pre-cut products since the 1970s, and most retail pork was branded by the 1990s. Yet, by 2003 less than 20% of beef was sold as branded products.

To put that in perspective, consider what makes up a brand. It is a promise. It tastes better, runs faster, feels good or looks better. It conveys an image, and it creates a level of anticipation when eaten or used. It is part of a lifestyle, as seen from clothing to Harley-Davidson motorcycles.

Brands carry expectations of consistency and implied higher value. They succeed by meeting or exceeding those expectations and providing a point of differentiation for marketers. Simply branding a commodity product is asking for failure.

Beef brands are typically linked to federal grading standards as USDA-certified programs. Ten years ago, less than 5% of beef was sold through such programs, but that had grown to 17.4% by 2003 (see Fig. 1).

### Trends

Most certified branding has centered around the Choice grade (see Table 1), where a steady growth trend continues. Prime-grade branding is the fastest-growing trend.

**Table 1: Cattle achieving each grade, and % sold as USDA-certified branded**

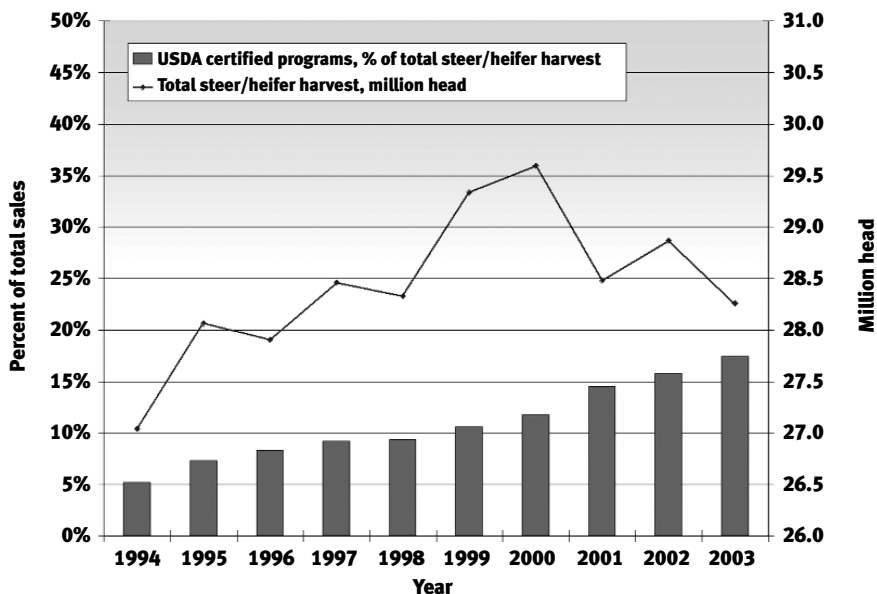
USDA Grade	% of finished cattle	% branded	Trend
Prime	2	4.1	rapid
Premium Choice	19	64.2	steady
Low-Choice	34	20.3	steady
Select	45	7.3	some

**Table 2: Value by grade**

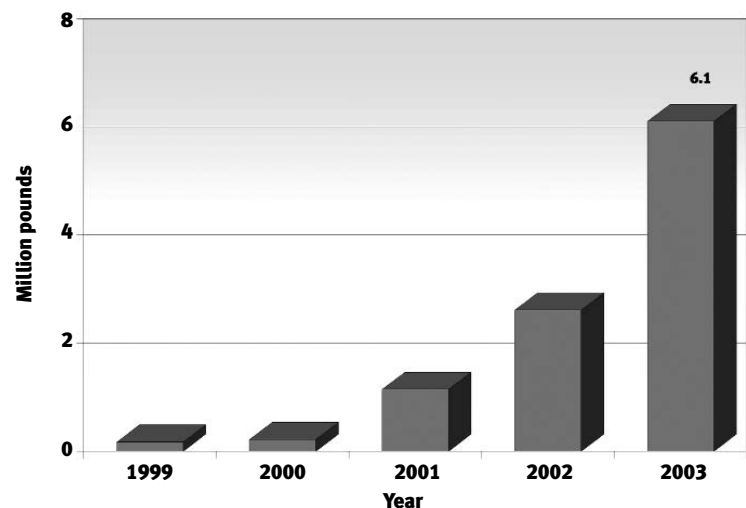
Grade	\$ per cwt.	\$ per head
Prime	96.50	1,235.00
CAB®	92.60	1,185.70
Choice	90.00	1,153.00
Base	85.00	1,088.00
Select	80.00	1,021.70
Standard	69.00	882.30

\*Assumes 1,280-lb. steer and \$16 Choice-Select spread.

**Fig. 1: Number of head harvested and percentage of beef sold through USDA-certified programs, by year**



**Fig. 2: CAB® brand Prime sales growth, by year**



“House branding,” usually tied to a retail store or chain and featuring Select product, offers some opportunity, but most brands are tied to higher grades for two simple reasons: predictability and profit.

University research has shown a range in undesirable eating experiences, from 4% or 5% for Prime and premium Choice to 20% or more with Select product. People eat beef for flavor, which comes from marbling.

From producer to packer, retailer to restaurant, businesses make more money selling higher-quality beef (see Table 2). Obviously, it’s hard to associate value with poor quality in higher-priced products.

The industry has seen steady growth in breed-linked brands. In the last two years, “Angus” USDA-certified programs grew by more than 20%, so that Angus brands constitute 74% of these program numbers. Angus-type cattle, as defined by the range of these brands, now represent about 53% of all U.S. fed cattle harvested.

The Certified Hereford Beef program has tripled in the last few years to reach 34 million pounds (lb.) per year, about 6% of recent CAB sales volume.

The net result of this growth in branding is that “commodity” beef represents a kind of leftover, lower-quality product, which further drives demand for branded products. This leads retailers to look at ways to reduce undesirable factors in their Select house-grade products, such as tenderness and weight screening.

### Future

Branding has changed the makeup of commodity beef, and will continue to do so in the future, as the percentage of beef products sold as branded doubles in the next three to five years. This will only accelerate the consumer switch to reliable, higher-quality branded beef — provided the brand meets or exceeds consumer expectations.

Branding has contributed much to the recovery and growth in beef demand, but the concept is still in its infancy with respect to potential growth. Market surveys point to a 60% Angus-type cattle base by 2006, which will fuel growth in breed-linked brands. The stage is set for a greater share of these Angus-type cattle to achieve CAB acceptance.

Incentives, such as the \$50 million paid to producers of CAB-accepted cattle last year, will drive production. Technical ability, from selection indexing to DNA markers, will help paint a bright future for corralling more consumer demand through branding.

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