



Your Link to

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Not the same old grind

When you think of a burger, what first comes to mind? McDonald's, Wendy's, Burger King, or a fine-dining restaurant? Most likely, it's not the latter. However, burgers are no longer relegated to the dollar menu at a fast-food joint. There is renewed interest in the iconic American hamburger, at least when it's good enough to be an icon for quality.

Several years ago, a "monster burger" fad in some chains echoed super-size options in others, competing for the novelty of greatest quantity. Today, it's more about quality, but the volume really adds up. Last year, sales of *Certified Angus Beef*® (CAB®) brand grinds contributed more than \$13 million to total brand sales.

Premium burgers are earning their way onto hundreds of white-tablecloth restaurant menus around the country, and they are selling for considerably more than a dollar.

Clearly, not all burgers are the same. Ground beef comes from various primal

cuts of the carcass, but the chuck is the main contributor to ground beef patties. The burger you can pick up at the drive-thru isn't the same burger that you will find at a Hard Rock Cafe or Cheesecake Factory. Most fast-food restaurants buy from suppliers that take the lean beef from older (cull) animals and mix it with added fat from other beef sources to hit certain lean-to-fat requirements.

Fine-dining establishments are working with premium suppliers that grind beef to formulate their own special blends of primals and cuts. Whole-muscle grinds usually contain chuck rolls and shoulder clods, but many processors and restaurateurs are finding more cuts from that primal useful in grinding: chuck tender, pectoral meat and brisket for example.

Nor is that the only primal they're looking at. From the loin, processors have shown interest in sirloin flap and loin tails. From the round, sirloin tips are readily used; a few processors have gone so far as to grind prime rib (remember, that does not mean Prime grade).

But it often makes more sense to think beyond premium cuts, to go for premium quality beef. Value is one factor, but human nutrition even points there. Texas A&M research shows Select-grade ground beef has a 0.75 ratio of monounsaturated to saturated fatty acids ("good" fat vs. "bad" fat), while Prime ground beef provides a healthier 1.33 ratio.

For all of these reasons and more, the CAB brand has seen a steady increase in the sale of grinds over the past 10 years (see Fig. 1). In fiscal 2010 alone, our total ground beef sales increased 16%, with packer-grind sales up 24.3%.

Casual but premium chains like Hard Rock Cafe and Smashburger have seen the hurricane of demand for these burgers hit full force. Licensed since 2004 and still growing, 100% of Hard Rock's burgers are CAB. Last year saw a 9.4% increase there.

Smashburger also serves only CAB grinds, cooked to order. That process starts with a ball of ground beef, predictably smashed and then custom-seared on the grill. The concept is growing fast, as the chain has more than 75 CAB-licensed locations across the United States. In this expansion mode, CAB ground beef purchases increased 140% from 2009 to 2010.

For the last year or so, we have seen a tremendous boost in live-cattle and boxed-beef prices, due in part to

increased export movement. And much of that can be credited to increasing global demand for U.S. ground beef. In recent decades, much ground beef has been imported as a source of lean. Due to current exchange rates, U.S. beef has become relatively cheaper than sources from other countries, helping to fuel cattle pricing.

The United States has been able to take advantage of the situation, not only importing less, but also exporting more as other countries have seen the value in premium U.S. ground beef products. Just look at how the new layer of demand added 15¢-20¢ per pound to the price of CAB ground chuck after the first six weeks of calendar 2010 (see Fig. 2).

As we look to add more value to your best Angus cattle, we aim to market as many pounds of qualifying carcasses as possible. That's why our marketing efforts promote opportunities to grind the cuts that otherwise may slip away as non-branded commodity sales. In that commodity world, grinds can account for

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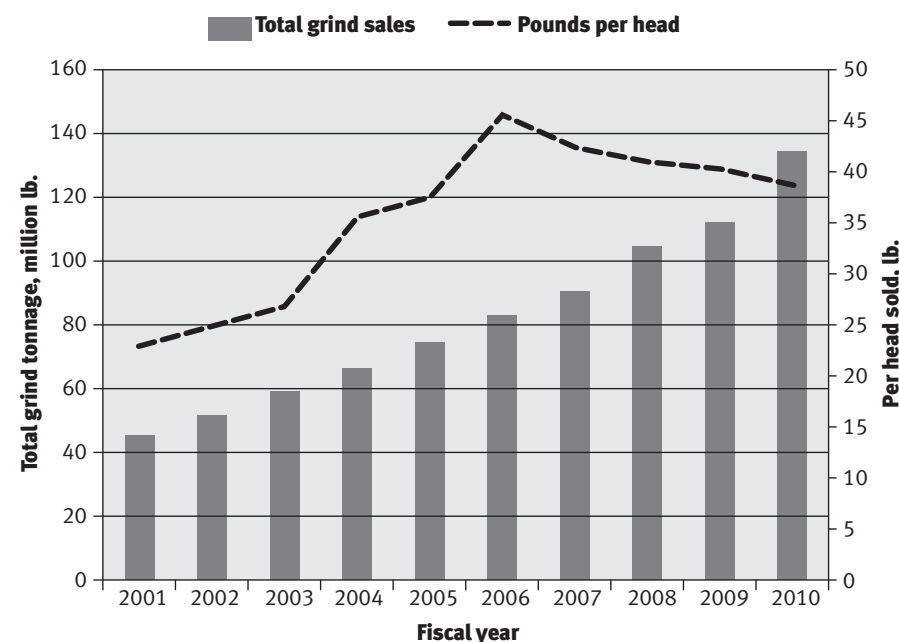
up to half of all beef sales, but it's not even a quarter of the CAB total.

Ground beef will always take a back seat to CAB strips and ribs, but burgers will be a constant and supporting player in beef pricing. Retail demand shows signs of taking off, too, because ground beef is basic to most shoppers. Offering CAB grinds provides a showcase opportunity for quality without adding a lot to the package price.

One more reason we can expect to see the real premium "Angus" burger add more and more value to your cattle.

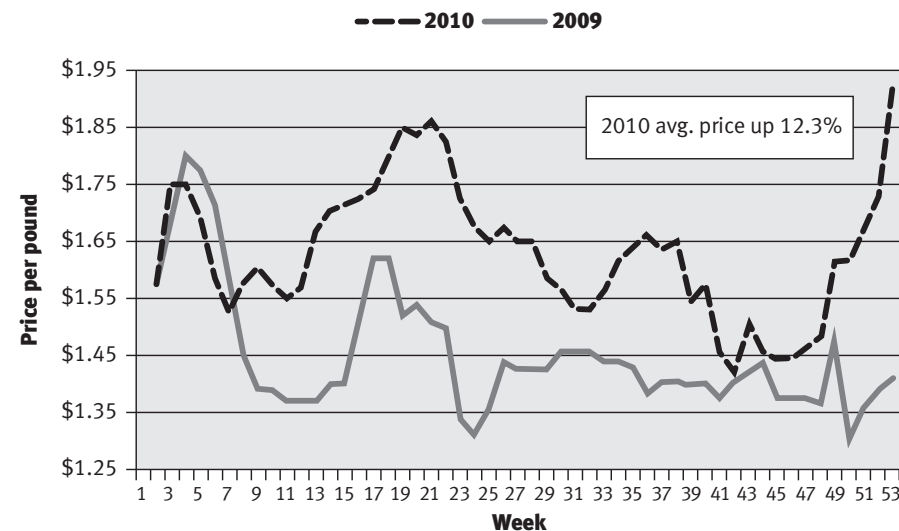


Fig. 1: CAB® grind sales



Source: Certified Angus Beef LLC.

Fig. 2: CAB® coarse-ground chuck pricing



Source: Urner Barry.

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