



# Your Link to

by **KARA LEE**, *Certified Angus Beef LLC*



## Have your roast and eat it, too

In business, nobody wants to choose between quality and profitability. A sense of pride in personal branding instills in every operator a desire to find ways that open doors to profit without sacrificing excellence. That's why progressive cattlemen invest for the long term.

Top-end bulls, better nutrition, upgraded handling facilities — these are not the cheapest of inputs, but they are needed for a profitable cow herd, even though the payoff is down the road. Still, what about those business models without the buffer of increasing herd value that can't wait for the long-term return? What if every purchase decision

had to turn a profit and do it quickly?

### Banking on quality

The restaurant business is like that, but with some things in common with ranching. Both rely on accurate financial accounting and planning, but let's take a look at the unique nature of the foodservice world.

When a restaurant manager lays out a menu, he or she knows what their profit margin is for each item on the plate. So, when a foodservice salesperson walks in the back door and tries to sell a new product for that menu, the manager quickly knows whether the business can afford the price point.

The number-crunching game can be tricky. Through the peaks of high beef prices, chefs continued to build their plates around the *Certified Angus Beef*® (CAB®) brand because of the dependable quality and standard it sets. Our partners in the restaurant world see the brand's quality as a key to customer satisfaction, but their bottom lines are still just that. Every kitchen manager knows the breaking point when a new round of creative thinking must find solutions.

A good foodservice salesperson does everything possible to make restaurant customers successful. After nearly 14 years in the meat sales business, B.J. Johnson knows a few inroads.

"Holiday business can be the highest profit-producing time of year for restaurants," says Johnson, whose tenure includes CAB specialist at divisions of Sysco Corp. in Charlotte and Atlanta. Except for Valentine's Day, the first months of each year can bring a lull in dining out. Holiday sales can "set their business up going into a slower time and really help solidify their clientele for the upcoming year."

No carnivore's holiday menu would be complete without the timeless beef centerpiece.

"Prime rib is king," says Johnson. "During the holidays, we sell four ribs for every strip. Historically, it's what people want."

Seasonal demand for ribs creates an annual spike in price, according to data from Uner-Barry. On average, November-December rib prices peaked at nearly \$2 per pound higher than September from 2011 through 2013 (see Fig. 1).

That's a challenge and, of course, an opportunity.

Quality comes at a price: A restaurant purchasing CAB isn't buying the cheapest ribs on the market. That holiday price spike might tempt the manager to downgrade quality to menu the items they want at a cheaper price. Cue the quandary of profit vs. quality. Cue the creativity.

Cattlemen have been there often enough. Do you want pounds of beef regardless of quality, or do you want to keep building your brand? When you decide to start feeding calves out, but notice they'll be finished at a seasonal low, perhaps you adjust calving dates or provide a higher-performance ration for the growing phase. Feedlots that want to avoid buying high-quality calves on the highest market try contracting or shifting weight classes.

### Tale of two ends

In recent years, the sales team at CAB has worked alongside licensed foodservice companies to creatively help customers find the compromise that fits the profit/quality model they need.

Each side of beef is split between the 12th and 13th rib, which cuts the *longissimus dorsi* muscle into two sections: the larger front portion is the ribeye or prime rib, and the anterior portion becomes the essence of a strip steak.

As a primal, the strip loin is typically reserved for steaks, not a traditional roast. Looking at the same three-year data finds a more favorable price point in starting a new tradition. The annual price spike that is so evident in ribs is almost absent in strips, offering a price advantage of around \$3 per pound (lb.) during the holidays.

Some work in the test kitchen proved that a roasted CAB strip loin provided an outstanding eating experience.

Enter the sales strategy to restaurants: Don't downgrade the quality of your beef to get the right cut. Simply adjust the cut you use while maintaining quality. Did we mention you can do it for \$3 per lb. less? Quality and profit. Yes, you can have your roast and eat it, too.

Convincing chefs to change an age-old culinary tradition isn't easy, but there are ways to make the sale.

"The No. 1 complaint we get about prime rib is that it's fat," Johnson says. "A lot of consumers don't understand that a prime rib comes from the ribeye and that the kernel fat is part of it, regardless of quality grade."

Much of the traditional prime rib presentation is in the cooking technique, he says, but the new cut can win there.

"As long as you're using a highly marbled product, roasting a strip loin is a great way to give customers that same taste they're looking for. If we're able to eliminate the fat complaint and also garner some price advantage from the market, that's a win for everybody," he says.

The key words are, "highly marbled." Johnson says he'd never suggest the swap from rib to strip for any customer using Choice or Select product.

"You need a highly-marbled carcass to make the concept work," he says. Traditional holiday roasts are typically presented at a carving station or held under a warmer in a kitchen before being plated. "The product has to be able to hold up under a heat lamp. The marbling in a CAB strip gives you the extra 'meat butter' you need to make the product perform under that stress. A Choice or Select strip? Absolutely not."

It's understood that some chefs just have to have that prime rib, though, and Johnson reminds them that quality still makes the difference.

"If you have to have a prime rib, use a prime rib, but let the menu reflect the price change before sacrificing quality," he advises. "The kind of restaurants that are doing that, an extra dollar on the menu isn't killing anyone. Those who offer a premium product even when the markets rise will be the ones who are successful in the next year when consumers are voting with their beef dollars."

Selection decisions that make cattlemen more profitable also enable restaurants to better weather the storm of high holiday prices. Raising high-quality beef adds profit for cattlemen while offering creative and profitable options for our partners down the food chain, in unique ways that lower-quality beef cannot. Just a little surge in demand for strip loins in that off season can also add to future CAB premiums.

**Editor's Note:** Kara Lee is supply programs manager for Certified Angus Beef LLC.

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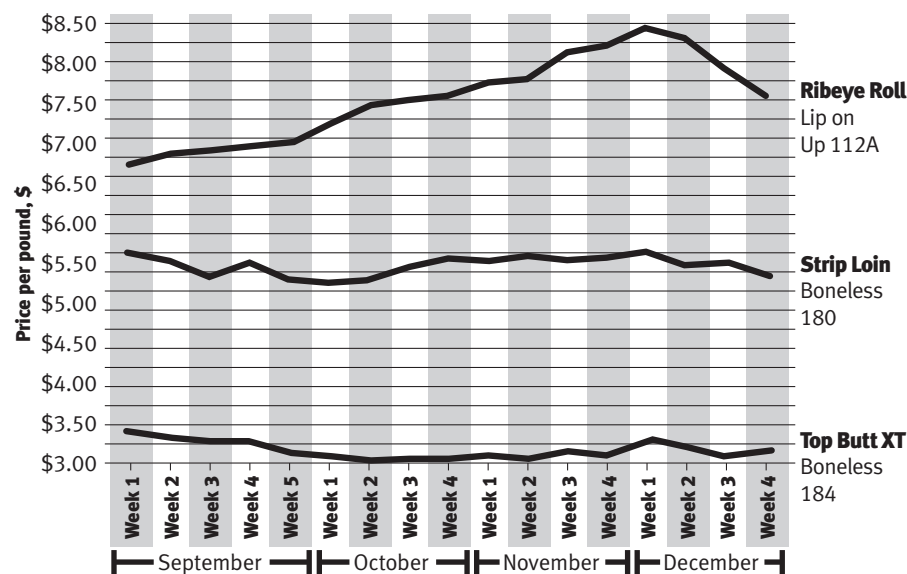
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**Fig. 1: 2011-2013 weekly average price**



Source: URNER-BARRY.