

Understanding Beef

Cattle Industry Convention offers insight into marketing through consumer demand, exports and policy.

by **KINDRA GORDON**, field editor; **MIRANDA REIMAN**, Certified Angus Beef LLC; & **TROY SMITH**, field editor

Polly Ruhland, CEO of the Cattlemen's Beef Board, kicked off a beef checkoff update session at the 2015 Cattle Industry Convention in San Antonio by asking attendees to consider one powerful question: "Why?"

To that she said, "We (the Beef Board) are here today to bring more beef eaters into the environment. Why? To preserve your business for future generations."

Ruhland then asked who in the audience believed the beef industry's future lies in the hands of the populace ages 19 to 36 living in metropolitan areas like Los Angeles, New York and Beijing? She responded, "I do. Your future rests in the hands of a 22-year-old in LA ... without whom we (the beef industry) could not survive."

She added, "Consumers truly hold your future in their hands." She encouraged those serving on checkoff committees to keep this in mind as they met and worked with committee members to help establish a long-range plan for beef checkoff programs.

To further emphasize the role of consumers, Ruhland highlighted insights from the Industry Scan report — the continued need for educating consumers about beef nutrition with a foundation of sound science; designing key messages and products to reach the key beef consumer audience of older millennial parents; and continuing to focus on providing the best quality of beef, especially in these times of higher retail prices.

Ruhland said as global desire for U.S. beef has hit an all-time high, "The global marketplace is something the American beef industry should pursue aggressively."

To speak to the interest in beef by global consumers, Homero Recio, president and chief operating officer of meat export company Agri-West International, provided an overview of trends being seen around the world.

He noted that flavor is a big trend, saying, "The world loves the flavor of U.S. beef, and consumers around the world are enjoying experimenting with flavors from around the world." He cited Asian, Middle Eastern and other cultural flavors as examples.

Recio shared that growth of the middle class around the world — particularly in Asia — is helping boost people's ability to buy beef. As examples of efforts to supply the increasing demand for lean beef, in Japan high-end steak houses, Japanese restaurants and even take-out meals are emerging featuring a variety of beef cuts for diners.

Recio also provided updates on consumer trends in Hong Kong and Mexico as places where more opportunities for beef sales are expected over the next few years. He concluded, "Clearly, export markets will be a big part of your (American beef's) future."

As those in attendance prepared to spend the afternoon in checkoff committee meetings, Ruhland stated, "Our direction and strategy is up to you."

— by *Kindra Gordon*

Why export markets for beef are so valuable

It's no surprise the United States is known across the globe as the "gold standard" for high-quality beef. After all, an estimated 80%-82% of all grain-fed beef is U.S.-produced, said Larry Corah, with the *Certified Angus Beef*® (CAB®) brand, during the Cattlemen's College® export session Feb. 4.

Jay Theiler of AgriBeef and Paul Clayton, U.S. Meat Export Federation (USMEF), rounded out the panel on beef trade.

"Our main advantage is premium-quality beef," Theiler said. "We are recognized as the gold standard around the world. It's pretty fun to go out and sell our products because of the demand."



"The international market is critically important," Larry Corah said.

For AgriBeef, an integrated beef production company, export strategy has as much to do with the future as it does today's marketplace.

Currently, 96% of the world's population lives outside the United States.

"That's where the money is, or is going to be," Theiler said, noting 80% of global

middle-class growth is projected to come from Asia.

Trade is also "good risk diversification," he said. For economic growth last year the United States ranked 166th out of 196 countries.

That's why AgriBeef markets three beef brands in 30 countries worldwide. The CAB brand has built worldwide marketings to 80 countries with a similar strategy.

"The upside potential in the global marketplace for a brand like ours is immense," Corah said.

CAB attributed 13.5% of sales to its international division last year. Of that 120 million pounds (lb.), 60% were end meats, or items from the chuck and round, compared to the strong domestic demand for such middle meats as strip loins and tenderloins.

The top CAB international markets are Canada, Mexico, Hong Kong, Japan and Korea, but in the last decade the brand expanded its presence in popular tourist areas in the Caribbean and in South America.

The southern continent is home to some "big beef-producing countries, but a lack of quality product in those marketplaces is the way, the opportunity for CAB to differentiate ourselves," Corah said.

Exports added \$352 per head to the value of each animal in 2014, and some of that comes from more than doubling the value of items like tongues, livers and hearts.

"They are not normal for consumption here in the United States, but they're sure popular overseas," Theiler says.

That's part of the drop-credit equation (including hide, rendered product, pet food and variety meats), which has added \$36 per head during the last two years, Clayton said.

Free-trade agreements and lifting other barriers increases value across the

board, but uninterrupted delivery is key to fulfilling demand. A current point of concern for the panelists: labor strikes on U.S. West Coast docks.

"We're unable to move products," Clayton said. "That's a domestic issue, but it sure affects international when you can't get the products out. The vast majority of our markets are in Asia or places that would have to use the U.S. western docks."

Theiler said it has brought cattle prices down and he worries about what it's doing to long-term demand.

"We are shipping 20% of what we normally ship overseas. That means that the premiums aren't there so those items that normally go overseas are bringing less money," he said. "We are fortunate we are the leader, but they are looking for other suppliers of high-quality beef. Will we get this all back?"

Observers are hopeful, because exports have grown to be an integral part of the beef business.

"The international market is critically important," Corah said.

— by *Miranda Reiman*

Cattle marketing & international trade

The National Cattlemen's Beef Association (NCBA) Cattle Marketing & International Trade Committee met Feb. 6. Iowa cattleman Ed Greiman called the agenda "largely educational" and introduced, in turn, several guest speakers.

Among the guests invited to address committee members was Tim Andriesen, representing the CME group. Andriesen explained how open outcry trading has been permanently suspended for most futures trade. The decision followed a long period of decline, to where less than 1% of contracts were traded on the CME floor and the overwhelming majority of trade was performed electronically. Andriesen also noted the addition of a fed-heifer contract, with trading set to begin in August 2015.

Rob Johnson, Western Futures brokerage and order-buying company, reported how the CME feeder-cattle index is based on direct reports of weekly feeder-cattle trade. Large numbers of cash transactions are negotiated daily, but not included in the calculation of the index. Johnson asked that NCBA consider studying the advantages of voluntary reporting of cash feeder-



Jay Theiler (left) of AgriBeef and Paul Clayton (right), USMEF, rounded out the panel on beef trade during the 2015 Cattle Industry Convention & NCBA Trade Show in San Antonio, Texas.

Demand and Marketing

cattle transactions to USDA to strengthen the feeder-cattle index.

NCBA Vice President of Public Affairs Colin Woodall reported that mandatory price reporting — the law requiring large packers and importers to report transactions — will expire as of Sept. 30, 2015. Woodall said NCBA will push for reauthorization for another five years.

Also present to address committee members was Darci Vetter, chief agricultural negotiator for the U.S. Trade Representative. Vetter explained advantages associated with the Trans-Pacific Partnership (TPP) trade agreement, calling it an ambitious endeavor involving 12 nations.

“It’s important to the U.S. to gain improved access and more harmonious trade rules in a part of the world representing 40% of the global economy,” said Vetter, noting the potential for this agreement to grow U.S. exports by \$123.5 billion. “The U.S. could gain the advantage of lower tariffs and increased access to markets for agricultural products, including beef.”



PHOTO BY TROY SMITH

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— by Troy Smith

The role of ground beef in today’s market

The versatility of ground beef for use in a variety of recipe and meal options keep it a popular food staple that most families have

in their refrigerator, pointed out NCBA’s John Lundeen during a Cattlemen’s College session.

From burgers and meatloaf to spaghetti and tacos, ground beef offers consumers ample options for use in multiple recipes — especially ones kids like, Lundeen noted. Other attributes of ground beef for consumers include its moderate price, quick and simple preparation, and ease in portioning.

“I think the closest competitor is the chicken breast,” Lundeen noted.

He shared market research indicating consumers very much prefer the taste of

beef. In a survey comparing ground beef to ground turkey, results showed a preference for beef with a 10-to-1 margin.

“We like to have this data to support checkoff efforts and to stay informed of what consumers are looking for,” Lundeen said.

Because of the continuing popularity of burgers, Lundeen noted that there are many who are trying to compete with market share for ground beef — from tofu and Boca burgers to plant-based burgers made from chickpeas.

“We want to continue to work to defend our market,” he said. To aid consumers with recipes for ground beef, special recipes and resources are featured online at www.beefitswhatsfordinner.com/groundbeef.aspx.

Also during the Cattlemen’s College session, Tom Brink shared thoughts on whether more young cattle should be fed specifically for the ground beef market, which was a premise getting much discussion after Rabobank AgriFinance published the paper *Ground Beef Nation* in early 2014 highlighting consumers’



PHOTO BY TROY SMITH

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increasing consumption of ground beef during the past two decades. Ground beef now represents nearly 60% of total volume of beef sales.

However, ground beef is consistently only about 20% of total value from beef at the wholesale level, noted Brink, who has worked in the beef industry all of his life. “We are both a ground-beef nation and a fed-beef nation. We can be both. They are not in competition. Both have a role in our industry.”

He added, “With our younger cattle we are focused on a fed-beef nation for economically driven reasons. ... If someone wants to try to short-feed cattle for the ground-beef market, I can guarantee they will only try that one time ... because the money won’t be there.”

He concluded, “Ground beef is very important, but I believe it’s secondary and will remain that way.”

— by Kindra Gordon

