

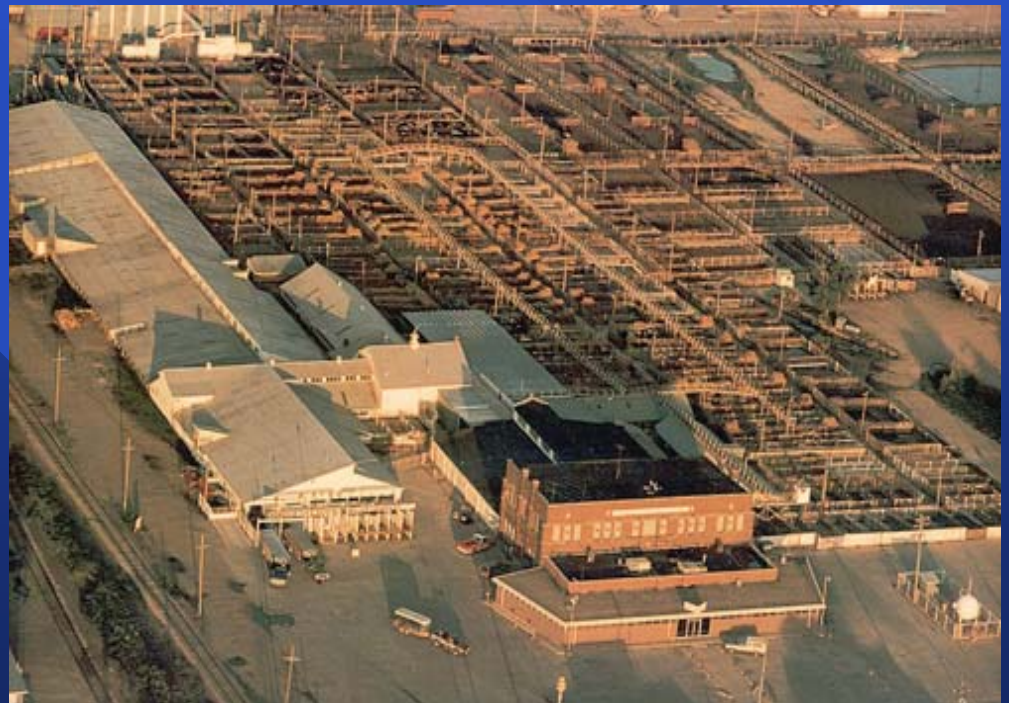
# TARGETING A BRANDED BEEF PROGRAM

Cliff Lamb and Lori Schott  
University of Minnesota



# How Should You Market Your Cattle?

1. Auction Barn
2. Direct - dressed or live
3. Grid
4. Contract



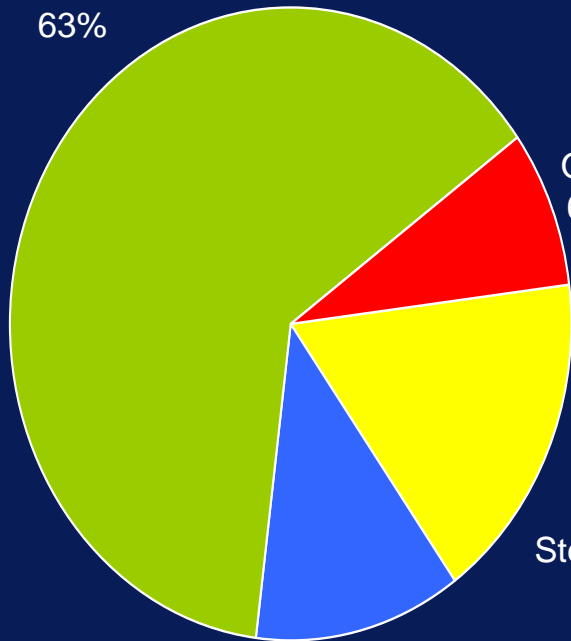
# Factors Creating Bipolar Market

- Growth in carcass merit marketing (i.e. “grid selling”).
  - Instrument grading raises the stakes.
- More documentation
  - Age, Source, Health, Genetics
- Feedlots keeping track of bottom-line results with more sophisticated information systems.
  - They won’t “forget” where they got the good or bad loads
- More branded beef companies looking for specific cattle – and willing to pay more when they find them.
- A shift from “selling” to “Marketing”

# Foodservice Beef Product Volume

**2006 Total Volume = 8.381-B Lbs.**

Ground Beef  
5.287-B lbs.  
63%



Other Beef  
650-B lbs.  
8%

Steaks 1.406-B  
lbs.  
17%

Roasts  
1.038-B lbs.  
12%

Steaks	Pounds MM	% of Steaks
Sirloin	292	21%
Filet	253	18
Ribeye	242	17
Other Steak	222	16
Strip	131	9
Flat Iron	92	7
T-Bone	62	4
Petite Tender	40	3
Ranch Cut	37	3
Porterhouse	35	2

Roasts	Pounds MM	% of Roasts
Chuck Roasts	349	34%
Round Roasts	244	24
Beef Tenderloin	229	22
Prime Rib	216	21

Ground Beef	Pounds MM	% of Ground Beef
Ground Beef (Bulk & Patties)	4,972	94%
Ground Beef Preparations	315	4

All Other Beef	Pounds MM	% of Other Beef
All Beef Hot Dogs/Brats	221	34%
Ribs	152	23
Philly/Shaved Steak	91	14
Specialty Beef Deli Meats	89	14
All Other Beef	70	11
Strips	27	4

Ground Beef represents the lion's share of beef volume used in foodservice.

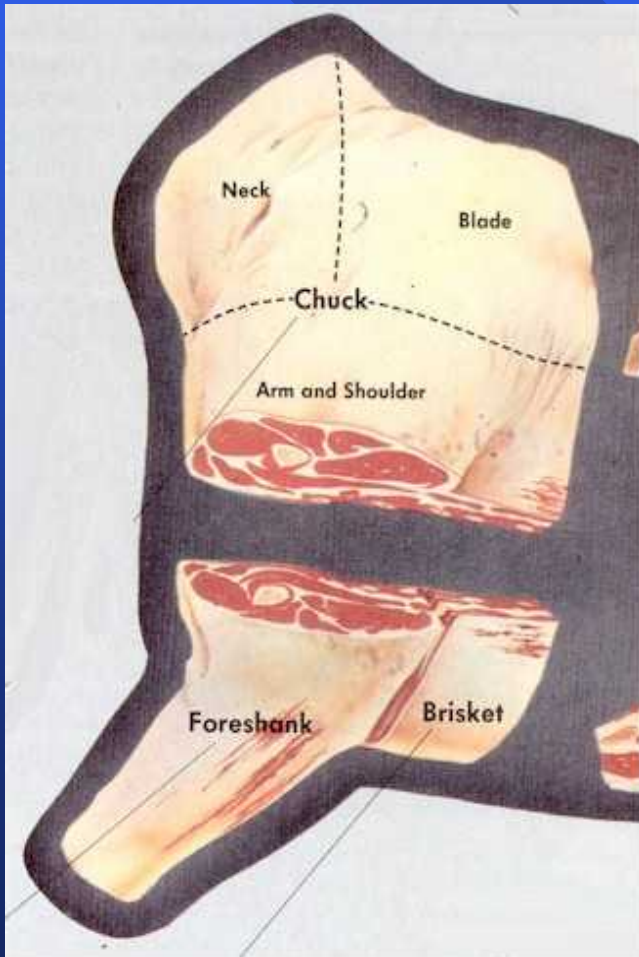
# Flat Iron Steak



Old Flat Iron "rest" shows the shape of a flat iron



- The beef cut is actually a top blade steak derived from the tender top blade roast. The roast is separated into two pieces by cutting horizontally through the center to remove the heavy connective tissue.





# OFFICIAL USDA BEEF-QUALITY GRADES

- USDA's Ag Marketing Service (AMS)

– Approved the use of electronic vision instruments-basically computerized cameras, in applying OFFICIAL USDA BEEF-Quality Grades.



Cargill has used this technology in-house as a tool for supplier feedback, planning, sorting and providing innovative customer solutions.



# Beef Carcass Imaging Measuring Yield Grade/Marbling Score

25  
million  
carcasses



# Carcass Image Analysis

## Ribeye, Lean, Marbling

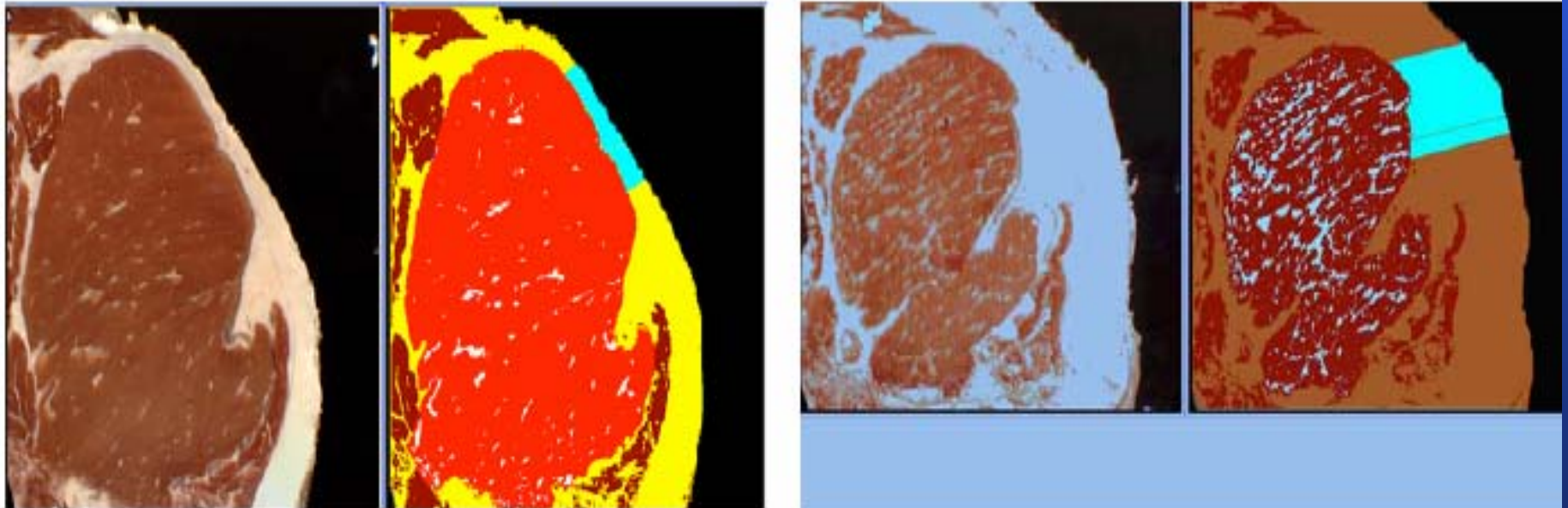
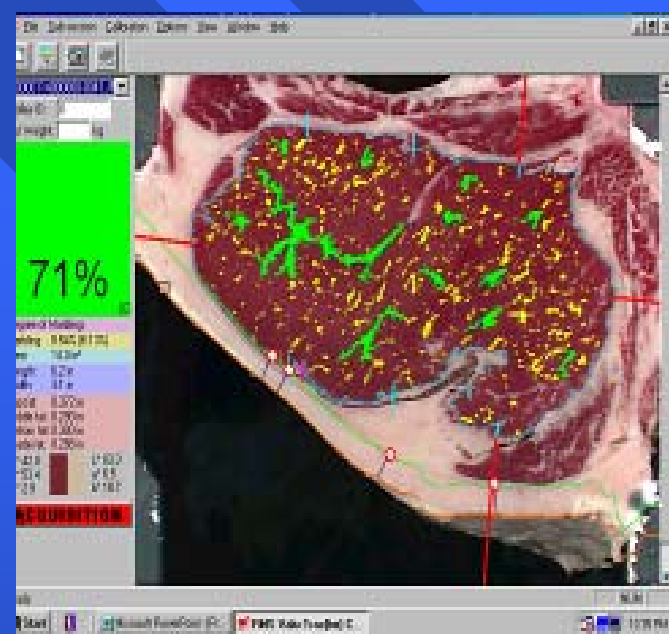


Figure 2. Results of image analysis showing the ribeye, other lean, fat, and marbling from low and high yielding carcasses.

# Reflectance Spectroscope

## *Predicting Beef Tenderness*



Figure 3. USMARC on-line reflectance spectroscopy system for predicting beef tenderness.

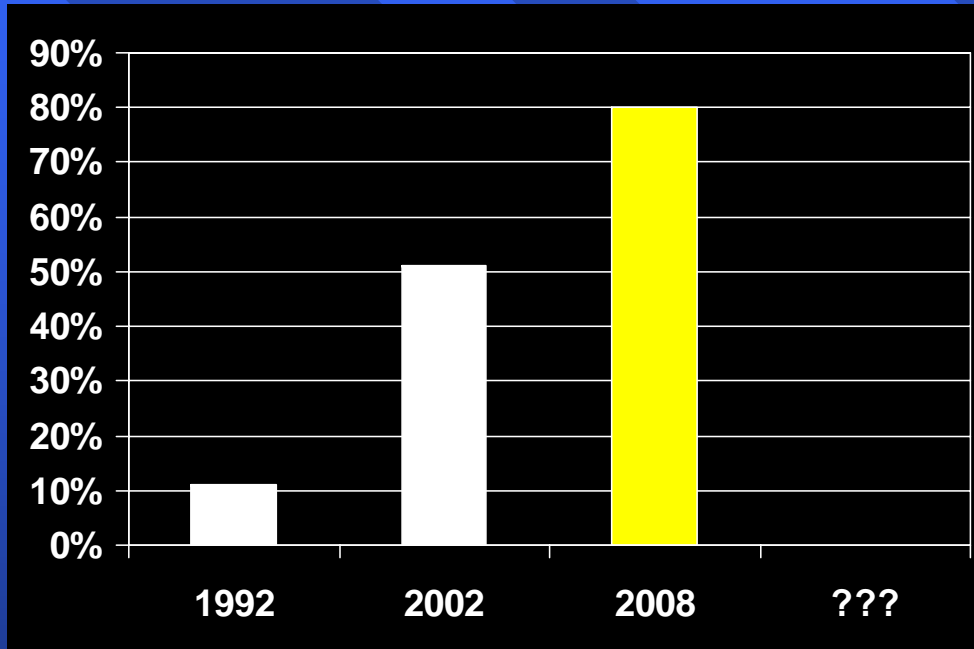
**22,000 Possible Products  
can come from any given CARCASS**



# How has the Beef Industry Changed



# Grid Marketing



Grid selling increased nearly five-fold from 1992 to 2002, and currently represents half of the cattle.

Cattle-Fax projects that 80% of fed cattle will be sold on a grid by 2008.

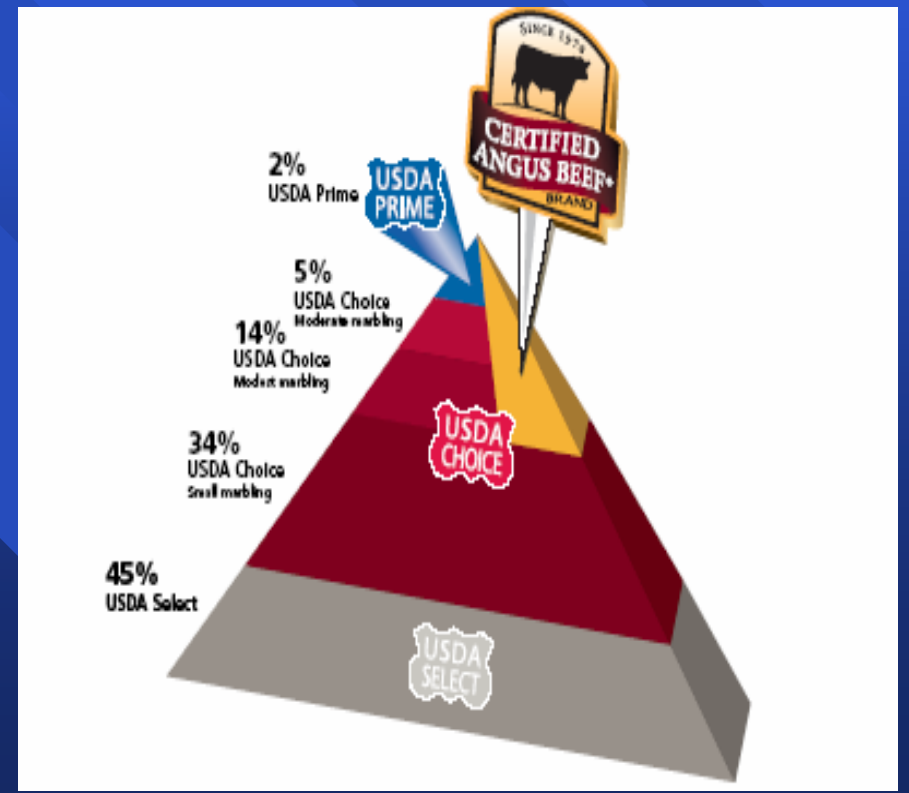
Instrument grading is coming on line, allowing for more objective evaluation of carcass merit & value.

Percent YG 4 carcasses will go from 5% currently to 15% when instrument grading is the standard.



# Three Grid Factors

- Marbling
  - More Value for Prime, CAB, Choice
- Lean
  - Premium for yield grade 1&2
- Out Cattle
  - Discounts for misfits (YG 4's, heavies, lights, Standards)



# Paying the Same for ALL Cattle

	YG 1	YG 2	YG 3	YG 4	YG 5
Prime	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
CAB	\$120.00	\$120.00	\$120.00	N/A	N/A
Choice	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Select	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Standard	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Dark Cutter	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Commerical	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Heavy Choice	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Heavy Select	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Light Choice	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Light Select	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00

# Typical Grid Using a \$120 Market and a \$8.00 Choice/Select Spread

	YG 1	YG 2	YG 3	YG 4	YG 5
Prime	\$133.60	\$132.10	\$130.10	\$110.60	\$105.60
CAB	\$129.10	\$127.60	\$126.10	N/A	N/A
Choice	\$126.60	\$125.10	\$123.60	\$103.60	\$98.60
Select	\$118.60	\$117.10	\$115.60	\$95.60	\$90.60
Standard	\$100.60	\$100.60	\$100.60	\$95.60	\$90.60
Dark Cutter	\$88.00	\$88.00	\$88.00	\$88.00	\$88.00
Commerical	\$92.00	\$92.00	\$92.00	\$92.00	\$92.00
Heavy Choice	\$100.00	\$100.00	\$100.00	\$90.00	\$85.00
Heavy Select	\$92.00	\$92.00	\$92.00	\$82.00	\$77.00
Light Choice	\$95.00	\$95.00	\$95.00	\$85.00	\$85.00
Light Select	\$87.00	\$87.00	\$87.00	\$77.00	\$77.00

# Continued Increase in Branded Beef Programs



*Angus beef is the best!*



# Branded Beef Programs

- Breed specific programs
  - Certified Angus Beef
  - Certified Hereford Beef
  - Premium Gold Angus
  - Swift Natural Angus
  - Etc.



# Branded Beef Programs

- Programs based on carcass quality
  - Sterling Silver
  - Stockyard's Premium Beef
- Brand name specification Program
  - Nolan Ryan's Tender Aged Beef
- State or regional brand Programs
  - Nebraska Corn Fed Beef
  - South Dakota Certified Beef



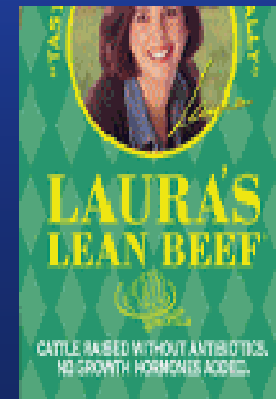
# Certified Hereford Beef - *example*

- Cattle must have white face (51%)
- Must exhibit markings of Hereford, but no markings on hip, shoulder, or side of body
- Must be solid red, black or roan
- Must be of beef breeding (i.e., no evidence of dairy breeds)
- Bulls, bullocks, or cows are unacceptable



# Laura's Lean Beef - *example*

- No breed requirement
- Preference for exotic (continental) breeds
  - 75% exotic or higher
- Premiums for lean, heavy muscled cattle
- Natural cattle will realize a premium
- Selection is for yield grades 1 or 2 lean beef





# Natural vs. Organic



# Natural

- The product is minimally processed
- The product cannot contain artificial ingredients
- The product cannot contain preservatives

- Hormones are not allowed in raising hogs.
- Therefore, the claim "no hormones added" cannot be used on the labels of pork or poultry unless it is followed by a statement that says *"Federal regulations prohibit the use of hormones."*



# What is “organic”?

“A production system that is managed... to respond to site-specific conditions by **integrating cultural, biological, and mechanical** practices that foster **cycling of resources**, promote **ecological balance**, and conserve **biodiversity**.”

## Governed by Federal Law/Rules

- Organic Foods Production Act of 1990
- National Organic Program Final Rule

7 CFR Part 205. Effective October 2002.

[www.ams.usda.gov/nop](http://www.ams.usda.gov/nop)

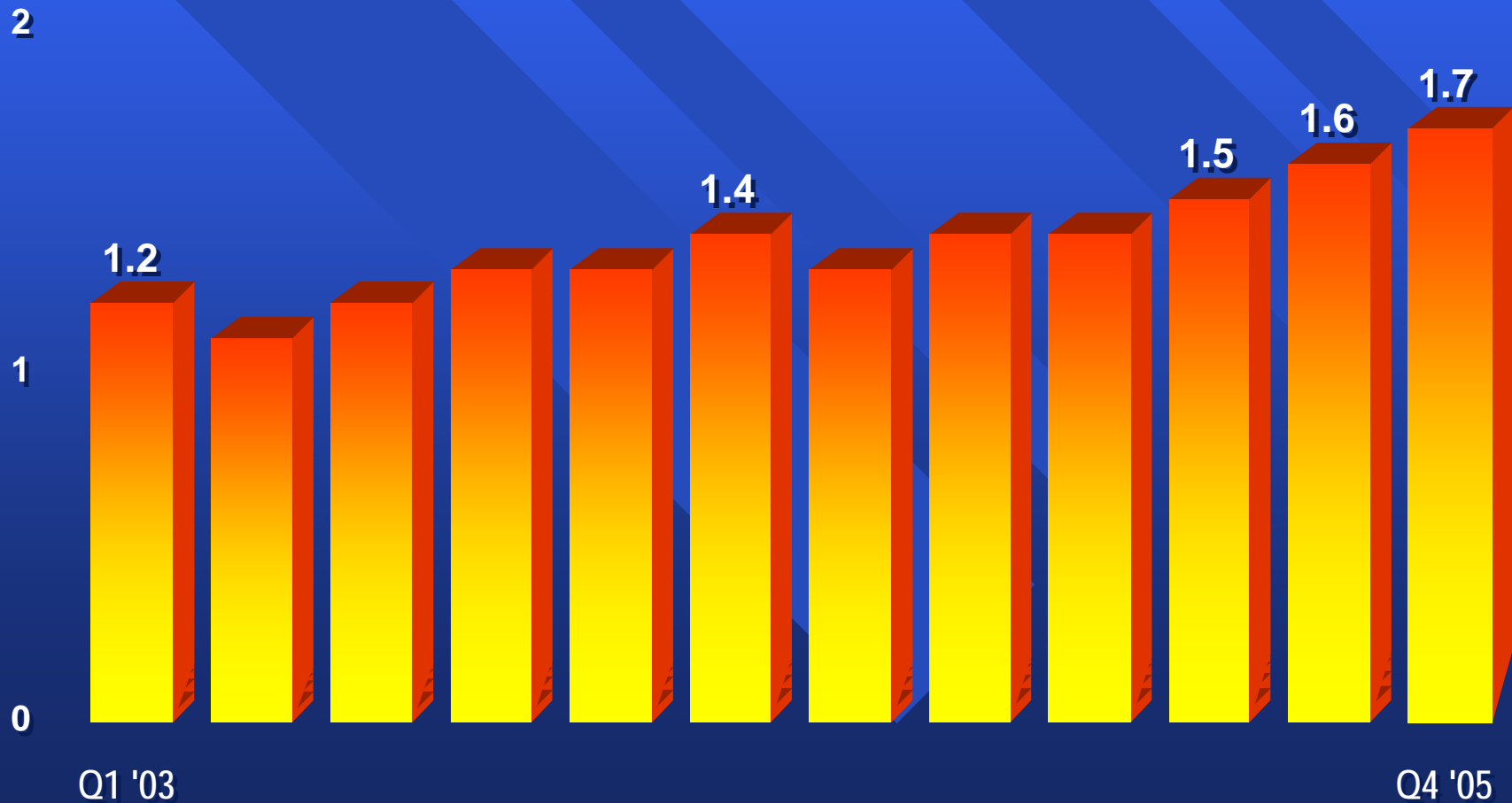


# Organic

- Products must be processed by a USDA certified organic farm or processor.
- Animals must be free of antibiotics or growth hormones.
- Animals must be free of any animal protein or by-products.
- Animals must receive feed that is 100% organically raised.
- Animals must have access to outdoors but must be temporarily confined for health, safety, or stage of production to protect soil and water quality.

# Natural/Organic Beef Dollar Share

% Total Beef Sales



# Natural/Organic Beef Dollar Share

% Total  
Beef Sales

2

# Understand

# the

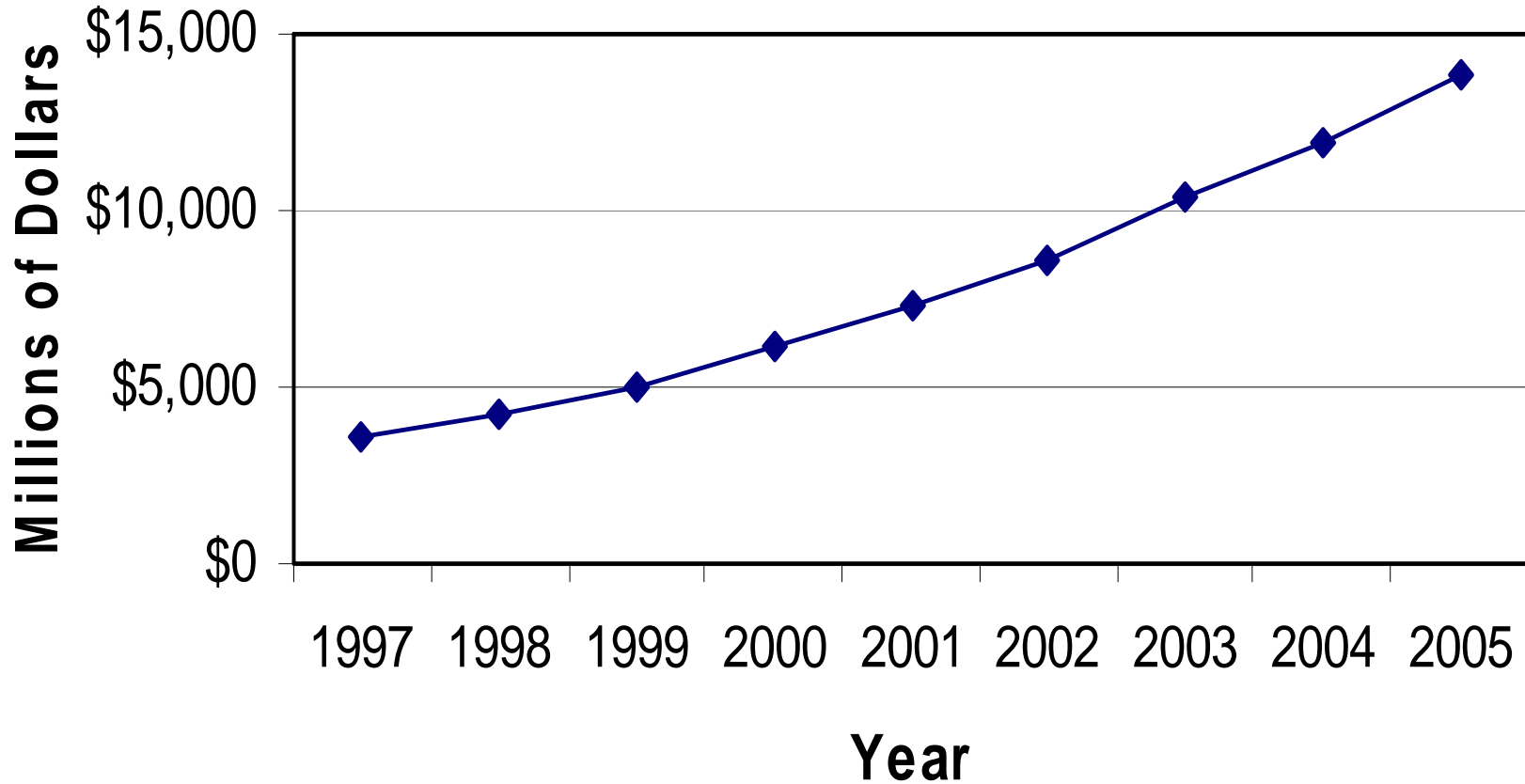
# Marketplace



Q1 '03

Q4 '05

## Organic Food - U.S. Consumer Sales

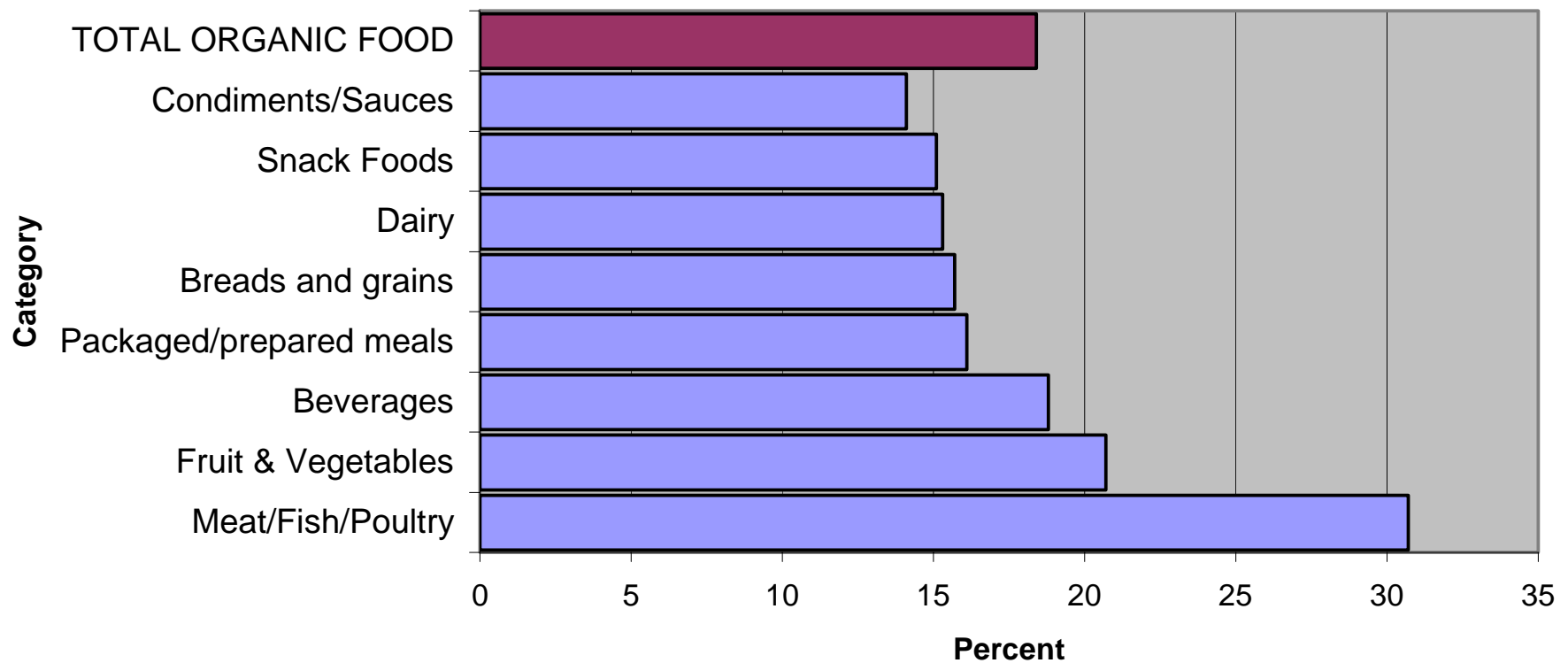


Source: Nutrition Business Journal estimates based on OTA's 2006 Manufacturer Survey, annual Nutrition Business Journal surveys of manufacturers, SPINS, and other sources, as cited in OTA's 2006 Manufacturer Survey at: [www.ota.com/pics/documents/short%20overview%20MMS.pdf](http://www.ota.com/pics/documents/short%20overview%20MMS.pdf)

**Over the next four years, strongest consumer demand is predicted for the meat/poultry/fish category.**

### Organic Food Forecast, 2004-2008

(Dollar growth - average annual sales)



# How Minnesota Department of Ag. Supports Organic

- Administer certification cost share
- Minnesota Organic Conference
- Workshops, trainings, field days
- Fact sheets
- Special projects
  - Organic Farm Directory
  - Organic Farm Business Mgmt. program
- Field questions, distribute info
- Web site at MDA

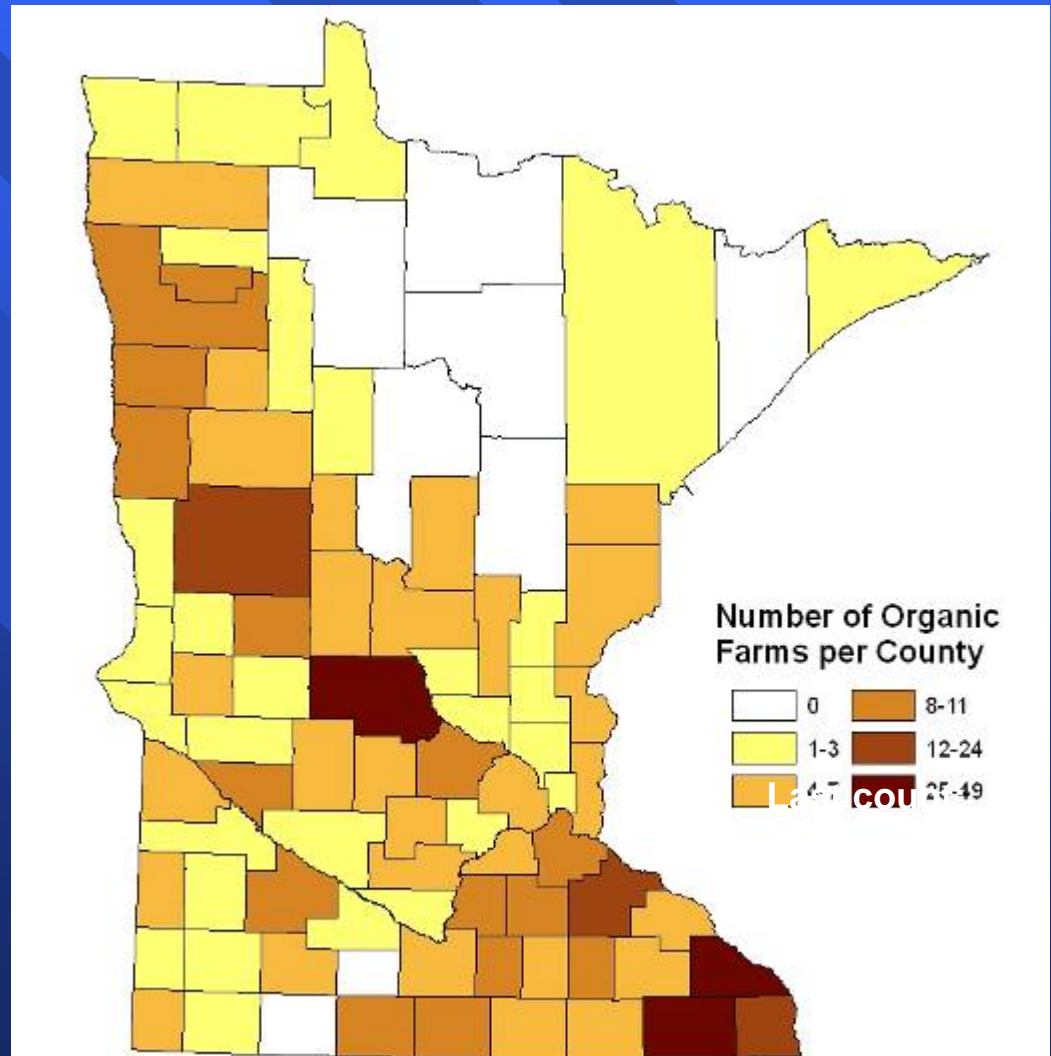
**Contact: Meg Moynihan 651-201-6616**



# Minnesota had about 500 certified organic farms in 2006.

In addition, Minnesota has about 150 organic processors/handlers.

More certified meat processing (USDA and equal-to) is needed.



# Requirements for Natural or Organic Beef Programs<sup>a</sup>

Item	Natural Beef program	USDA Certified Organic Beef Program
Antibiotic use	Generally not allowed	Not allowed
Ionophore Use	Typically not allowed	Not allowed
Implant use	Generally not allowed	Not allowed
Feed containing mammalian protein or by-products	Not allowed	Not allowed
Feed from non-organic sources (i.e., fertilized pastures)	Typically allowed	Not allowed
Other restrictions	Each program varies	Extensive
Certification	Producers signs and affidavit	USDA certification
Regulation/auditing	Branded program	USDA audits

<sup>a</sup>Source: Cattle-Fax

# Potential Health Problems

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- Calf Scours
- Bovine Respiratory Disease
- Coccidiosis
- Digestive Problems
  - Acidosis
  - Bloat
  - Liver Abscesses



# Calf Health is Crucial !

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- Treating a calf is costly!
  - Salvage value – You bought natural calves (\$\$) and now have to sell them conventionally (¢¢)
  - Opportunity cost – After treatment, can the calf fit into another program? What would he have done in a conventional program from the start?
  - Lost performance – While the calf was fed naturally
  - Drug & labor cost
- But treat if necessary



# Management Guidelines

**1. Identify market**

**2. Identify cattle**

- Your own
- Other sources

**3. Production system**

- Diets/Feed management
- Ride or walk through cattle more frequently

**4. End point**

- Bodyweight
- Yield Grade
- Quality Grade



# Branded beef programs

Branded beef systems pushing the limit on price to get cattle with a high probability of hitting the brand specifications.

- Paying more on the front end to get cattle that will hit specs is more economical than buying cheap on the front end and paying the high price of non-conformance (i.e. “fallouts”).

## 90% Conformance

Feed 111-hd for every 100 head that qualify against the specifications.

## 60% Conformance

Feed 167-hd for every 100 head that qualify against the specifications.

# What do I need to do to ensure that my cattle meet the specs of a branded beef program?





# Professional marketing

- If your cattle are suitable for a branded beef program, don't expect the branded beef programs to "find" them.
  - » *It's not their job to find them. It's your job to make them visible.*
- To attract bids from premium buyers, they must know more about your cattle than what they can learn in the 10-second overview from the auction block.
  - » *It will be assumed that your cattle are "generic commodity" unless you show otherwise.*
- Premium buyers are only interested in load lots (50,000-lbs)
  - » *The overhead associated with put-together groups isn't worth the hassle.*
  - » *Put-together "generics" always carry health liability.*



# Documentation

- Documentation of Beef Quality Assurance (BQA) practices.
- Age certification (to comply with BSE rule – making beef export eligible).
- Source verification & documentation of biosecurity practices.
- Precise description of GENETICS (not just breed or color).
- Prior data on feedlot performance and carcass merit.

**You are not forced to do this, the incentive to do it is to make more money.**



# Documentation

Plant 511

Buyer	5	TIM SWEENEY/TBP		:													
Producer	CHRISTENSEN C/OO	5200	Kill Date	08/08/06	:	Head	Live Cost	Live Wt	Dr Wt.	Yield	Blacks						
Pen	43	Sex	Steers	Buy Date	08/31/06	Actual	75	\$94.68	1380	914	65.21 %	60%					
Lot	566	LotStatus	G	Buy Type	Grade % Yield	Estimates	75	\$90.09	1250	788	63.00 %	75%					
				Contract													

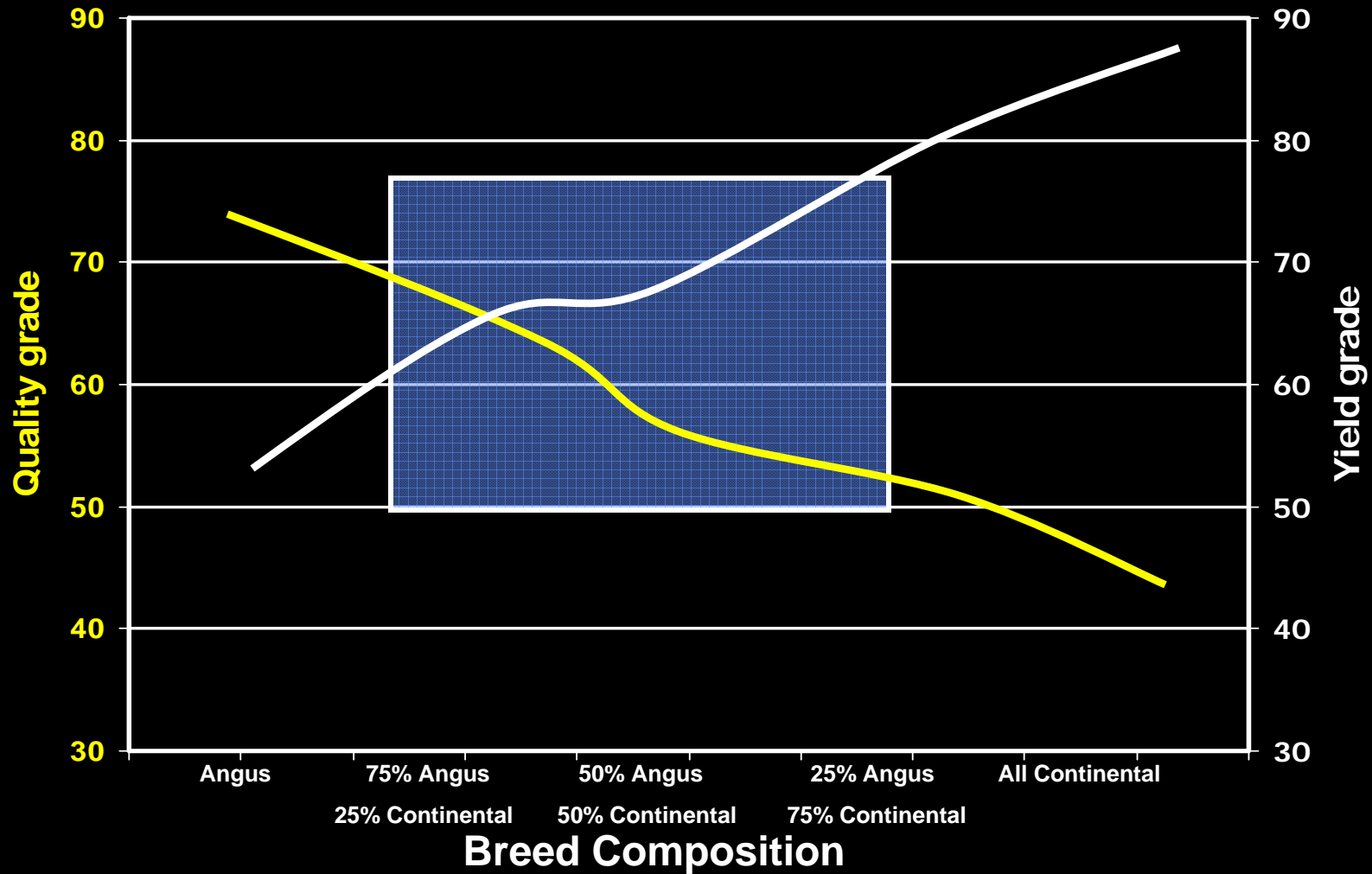
Grading Information																	
Hot Cost	Clean-Up Cost	Target Buy Ord	Est. Clean-up	% Prime	% Choice	% CAB	% Select	% Standard	% Darks	% Others	% YG 1	% YG 2	% YG 3	% YG 4	% YG 5		
\$143.00	\$152.24	\$148.00	\$142.00	0.00 %	44.00 %	1.3 %	53.3 %	2.7 %	0.0 %	0.0 %	10.7 %	24.0 %	45.7 %	16.0 %	2.7 %		

Head Graded	% PR + CH	% Yld Grade 1& 2	% Sub Select	% YG 4 Up	> 30 Months	% Japan Qual.	
Actual	75	44.00 %	35%	3%	19%	0.00%	1.33%
Estimates	75	75.00 %	37%	0%	11%		
Difference	0	-31.00 %	-2%	3%	8%		

# Genetics plays a role in carcass quality

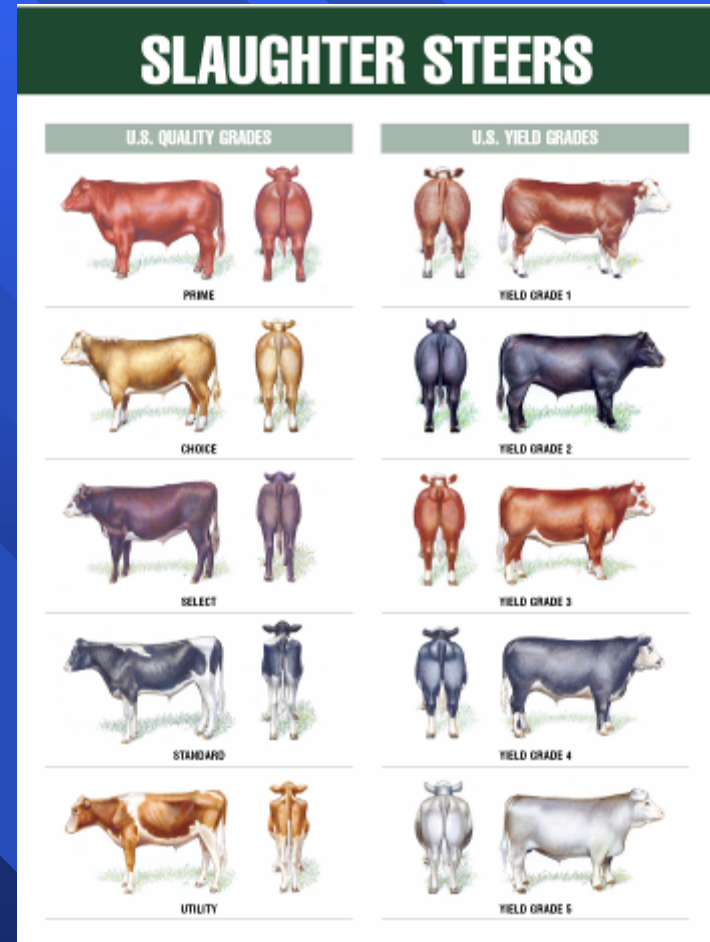
- Heritability of carcass traits is one of the highest in beef cattle production traits.
- Cattle with superior carcass genetics can be identified and propagated through alliances.
- Genetic decisions will affect you for years.

# What Breeds Grade?

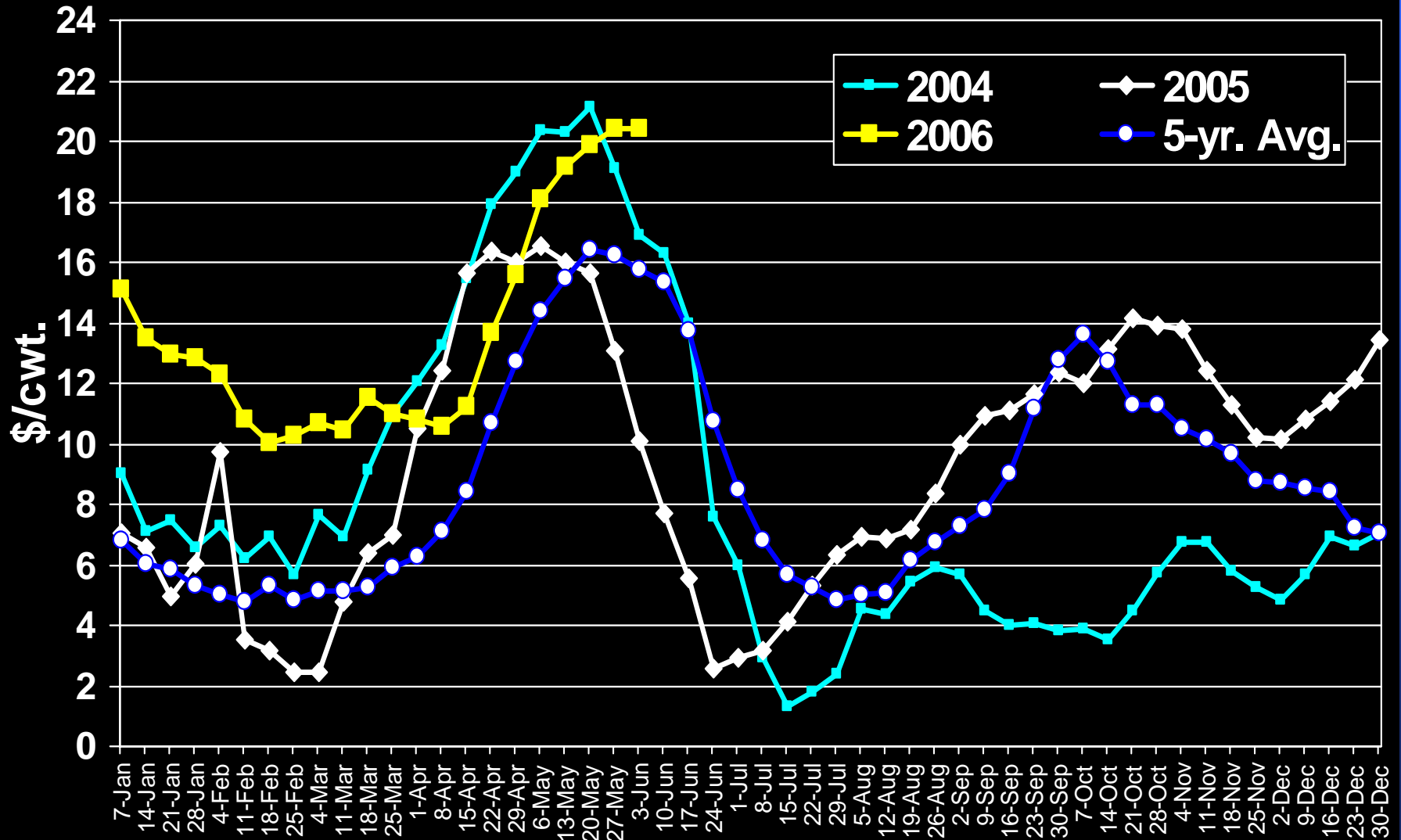


# Management plays a role in carcass quality

- **Sorting**
- **Implants**
- **Nutrition**
- **Animal Health**

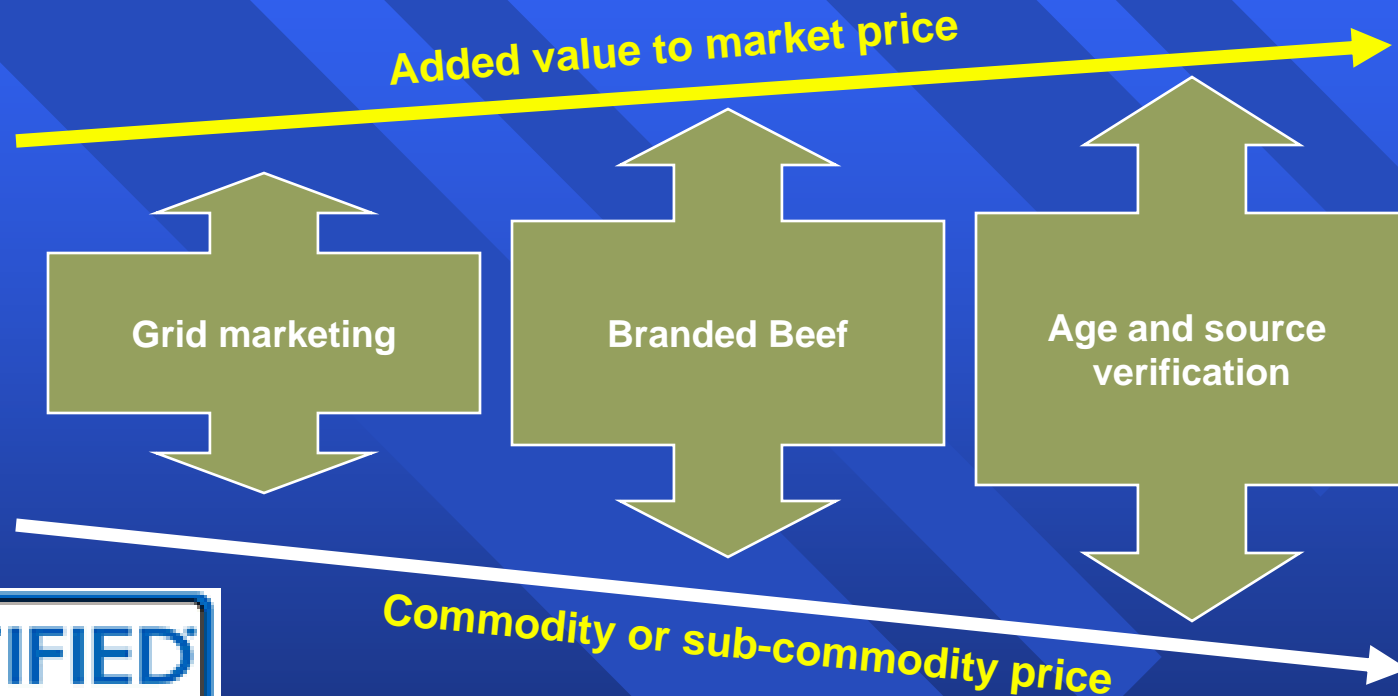


# Choice Select Cutout Value Spread



Source: USDA

# How has the Beef Industry Changed



\* Meets the Humane Farm Animal Care Program standards, which include nutritious diet without antibiotics, or hormones, animals raised with shelter, resting areas, sufficient space and the ability to engage in natural behaviors.

# Know where the premiums (value) come from?

- How much premium for known genetics?
- How much premium for pre-conditioning?
- How much premium for weaning?
- How much premium for age and source verification?
- How much premium for natural?



# Performance Measures that Influence Profit

- **LIVE BASIS**

- ADG
- COG
- Days on feed
- Initial body weight

- **CARCASS BASIS**

- ADG
- COG
- Days on feed
- Initial body weight
- Dressing percentage



# Summary

Your options:

1. Do nothing and hope to get average price for your cattle
2. Do things right and get a premium
  - A. Must know our cattle genetics
  - B. Must know your marketing options
  - C. Must manage your cattle properly
  - D. Produce what the packer wants



**For more information on  
Natural or Branded Programs  
visit**

**U of M Beef Industry Center at  
[www.extension.umn.edu/beef](http://www.extension.umn.edu/beef)**