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CARCASS QUALITY AND MARKETING

Pricing for Each Species

- Lamb
 - Cutability/maturity
- Beef
 - Quality
 - Cutability
- Pork
 - Cutability
 - % Fat Free Lean



WHY DO PEOPLE EAT BEEF?

- Price for beef is higher than all other meat products
- Yet, consumers continue to demand and purchase beef products
- This indicates consumers are unwilling to substitute other meats for beef
- Beef provides consumers with a high level of eating satisfaction that is unique from other meats

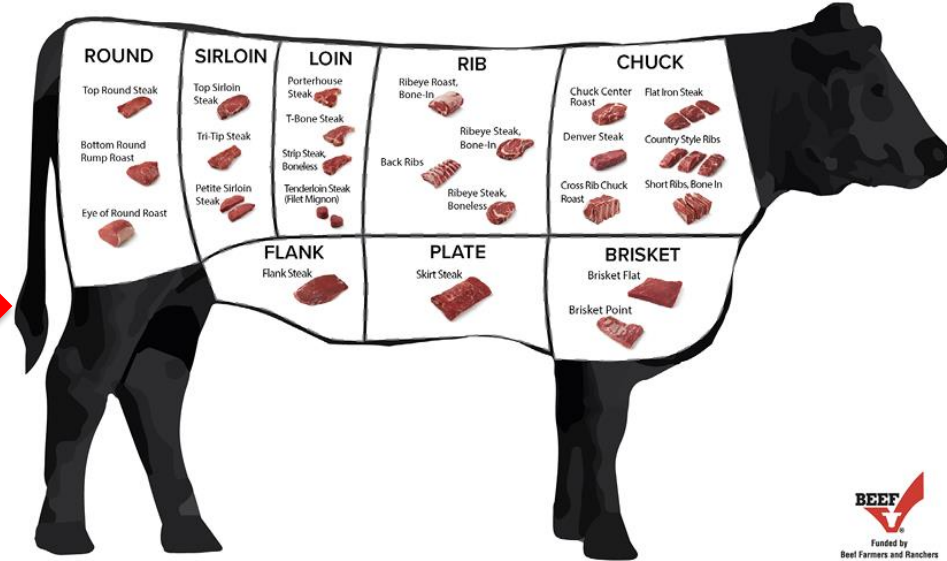
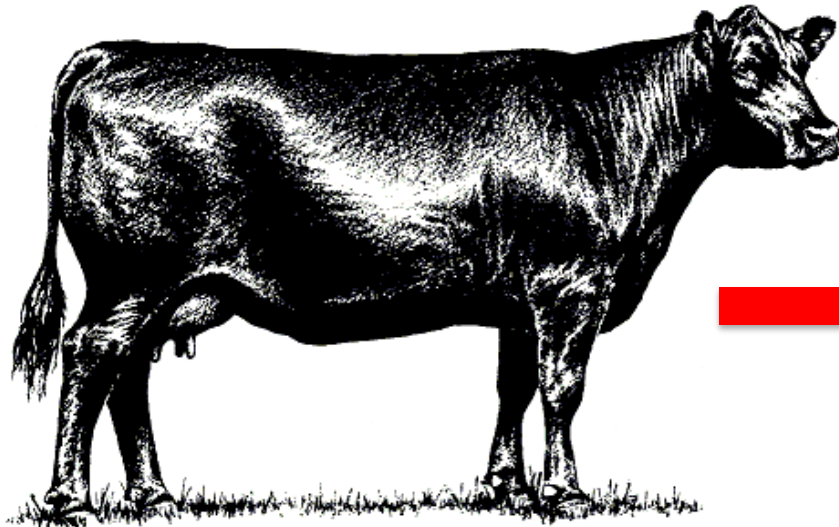


How to Price on the Grid

Base Price (\$/cwt.)

	Prime	Choice +/o	Choice -	Select	Standard	Commercial/ Utility	Dark Cutter/ Blood Splash/Callus
YG 1	\$293	\$283	\$277	\$247	\$240	\$233	\$237
YG 2	\$291	\$281	\$275	\$245	\$238	\$233	\$237
YG 3	\$289	\$279	\$273	\$243	\$236	\$233	\$237
YG 4	\$278	\$267	\$261	\$232	\$224	\$221	\$225
YG 5	\$272	\$262	\$256	\$226	\$219	\$216	\$219

Beef Cattle to Beef Carcass



BEEF GRADING



Beef Grading:

- Dual system
- Quality Grades for Predicting Eating quality
- Yield Grades for predicting cutability



Beef Carcass Pricing



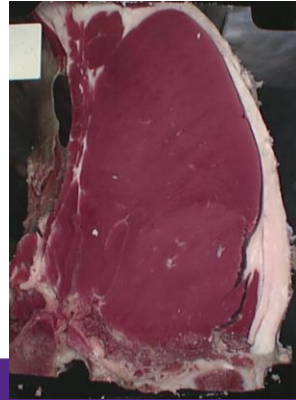
Three main methods:

- Live
- Carcass
- **Grid**
 - Quality grades
 - Yield grades
 - Premiums and discounts

Quality Grades

- **Predict eating experience for consumers**
- A maturity carcasses:
 - USDA Prime
 - USDA Choice
 - USDA Select
 - USDA Standard
- USDA Commercial, Utility, Cutter, Canner

Quality Grades





Marbling



Average
Prime

Low
Prime

High
Choice

Average
Choice

Low
Choice

Select



Only 5 - 6% of
U.S. Beef Grades
Prime



Premium Choice
Approximately 20-25%
of U.S. Beef
Ex: Certified Angus
Beef



Over 60% of U.S.
Beef Grades Low
Choice and Select

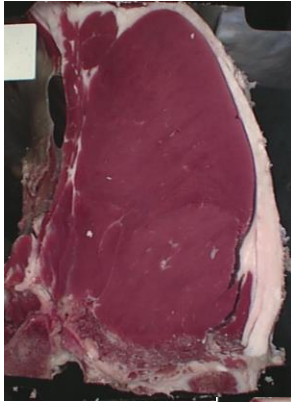
Yield Grades

- **Predict cutability and percentage of closely trimmed retail cuts**
- Yield Grades
 - 1 (<52.3%)
 - 2 (52.3-50.0%)
 - 3 (50.0-47.7%)
 - 4 (47.7-45.4%)
 - 5 (>45.4%)



Decrease in yield

Yield Grades





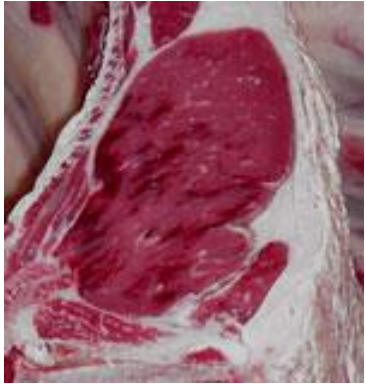
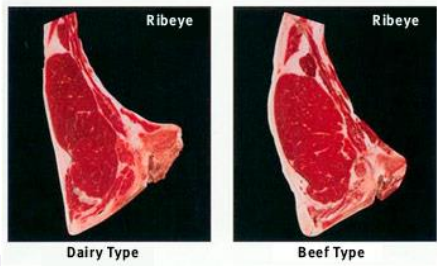
Premiums



Premiums



- Age and Source verified
 - Increased value of \$4-25/hd depending upon time of year
- “Natural”
 - \$33.45/cwt premium
- NHTC (Non-hormone treated cattle)
 - \$22.00/cwt
- Certified programs (CAB)
 - \$5.14/cwt in increased value
- Organic
 - \$400-600/hd (this is also close to the breakeven)



Discounts



Carcass Bruising



Why discounted?

- Loss of product
- Damage to primals, subprimals
- Will not meet specifications

Carcass Weights



- Average US Discounts for weight
 - 4-500 lb HCW -\$29.29
 - 500-550 lb HCW -\$22.64
 - 550-600 lb HCW -\$11.57
 - 900-1000 lb HCW -\$1.00
 - 1000-1050 lb HCW -\$5.00
 - 1050+ lb HCW -\$16.00

Carcass Weight

- Why discounted?
 - Plants were built when carcasses weighed 650 pounds
 - Things break
 - Carcasses drag the ground
- Why discounted?
 - 700 lb carcass = **12.2 inch REA**, 12.5 pound ribeye roll
 - 1100 lb carcass = **17 inch REA**, 17.0 pound ribeye roll
 - Ineligible for some boxed beef programs!



C-E Maturity (Old Carcasses)

- Average discount is -\$37.78/cwt
- Why discounted?
 - Generally, from > 30 mo. cattle
 - Not eligible to be graded, Select, Choice, or Prime
 - Meat from older cattle is tougher and less palatable



Cattle > 30 months



- Average discount is -\$20.00/cwt
- Why discounted?
 - BSE!
 - Cattle over 30 months must be tracked and processed differently
 - Potential for grade reduction
 - Limited export opportunities

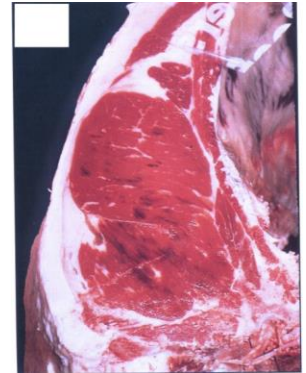
Dark Cutting Carcasses

- Average discount is -\$34.58/cwt
- What is dark cutting?
 - Intermediate to long term stress causes muscles to lose energy (glycogen)
 - The meat ranges from “muddy” to dark
- Why discounted?
 - Consumers want bright red beef at retail
 - Must go into a value-added product, or food service



Blood Splashed Lean

- Average discount -\$35/cwt
- What is blood splashed lean?
 - Excessive stun to stick time
 - Residual blood causes a spotted appearance
- Why discounted?
 - Can't be sold at retail
 - Not eligible for premium programs



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Example

Carcass Example: Prime, YG 4.1, Over 30 Mo

- Base: \$293.43
- Prime: \$37.54
- Yield Grade 4.1: -\$15
- 30 Month: -\$20
- Weight 919: 0
- **Total: \$295.97/cwt**

Thank you!



Contact with any questions:

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