

# The Effect of High Price Beef on the Hereford Breed



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A recent consumer market research report conducted by Mintel, a globally renowned market research firm, determined that 39% of red meat consumers (both beef and pork devotees) ate less beef in 2013 than they did in 2012.

Health trends may be motivating some to reduce their red meat consumption, but Patty Johnson, an analyst for Mintel, says, "While some consumers are turning away from red meat, in favor of healthier alternatives, there are still a staggering amount of Americans who partake on a regular basis.

The Mintel report stated that 16% of those Americans who say they are consuming less red meat are eating less but higher quality red meat. This trend has opened the door for branded or commodity beef programs that have been marbling based.

Marbling, the small specs of fat interspersed within the muscle fibers of the carcass, has been the primary driver of beef quality grades dating back to the early development of standards in the late 1920s. Since 1987 Prime, Choice and Select has been the dividing line for quality and value within the food service, retail and global export markets. Price differentiation between these grades has ranged from very narrow spreads to, at times, upward of \$20 per hundredweight (cwt.) between the Choice and Select grades — a \$160 per head difference.

The Mintel report revealed another major fact driving consumer-purchasing behavior — the escalating price of beef. Consumers are cutting back on red meat

because of its effect on their food budget. More than half (58%) of consumers say they have noticed the price of red meat increasing in the past 12 months, and 36% say it is too expensive to buy as often as they would like.

It appears that American consumers are beginning to hit a point of resistance as it relates to beef price. Today at your local supermarket, you might see ground beef at \$5 per lb., a price point that consumers may have paid for a Choice ribeye steak just a few years ago.

Our longtime red meat customers are wincing at the price and changing their purchasing behavior. If they are going to pay that much for beef, then quality will be a major factor in their purchasing decisions. That may certainly require at least the Choice grade of beef to satisfy those needs.

Hereford breeders will be forced to focus on this dynamic in the near term. The dividing line between low-grading commodity beef and quality beef brands is growing. Input costs, land values and low beef cow inventories are contributing to record high beef prices and an elite consumer purchasing status that beef finds itself drifting toward.

The resurgence in Hereford bull demand driven by crossbreeding on black cows has been an amazing phenomenon the last two years. However, if price spreads between Choice and Select beef get wider during moderate industry expansion or if the industry witnesses a loss of packing capacity in

the years ahead, heightened market signals for highly marbled beef may evolve. Commercial producers will expect Hereford bulls to be acceptable, if not exemplary, in delivering carcass quality genetics. If they aren't already, cow-calf producers will think more about end product quality and how their cattle will ultimately fit into premium programs.

One of those premium programs happens to be Certified Hereford Beef (CHB). The CHB LLC staff and our devoted CHB® customers have been successful at selling a Select or higher CHB product. The CHB Select or higher product has performed extremely well versus other Choice programs. But that being said, new business opportunities are demanding Choice-graded beef at a minimum. For CHB to continue to grow, it will most likely be with Choice-graded carcasses.

## See you at the Summit

Sept. 4-5 the American Hereford Association will be hosting a Hereford Genetic Summit in Springfield, Mo. Some of the top beef cattle industry experts will be invited to discuss the dynamic industry changes that have been and will continue to change the landscape of our business.

Presenters will attempt to piece together the future trends and how they might relate to genetic trends of the Hereford breed. It will be a landmark event designed to challenge participants to think about the future. **HW**