

IBP - Supplying Consumer Demand

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IBP wishes to thank Dr. Bob Kropp and Oklahoma State University for the opportunity to discuss this matter with you.

In attempting to relate to this group the carcass specifications that we at IBP need in our operations I think it would be wise to examine what we are looking for today as well as what we believe we'll need in the future. At IBP we sell, either directly or indirectly, approximately 70% of our finished products to retailers and 30% to the hotel, restaurant and institutional trade. Consequently, we currently can accommodate a wide range of beef carcasses.

Weights

First, let's address the criteria of carcass weight. The majority of our sales to retailers is in our Cattle-Pak product line. Cattle-Pak is basically carcasses processed into the various cuts, with a great deal of the fat and bone removed but still sold to the customer in whole cattle increments. When a customer buys, say 50 head of Cattle-Pak he will receive all the loins, ribs, chucks etc. from 50 cattle, processed to a particular criteria, vacuum packaged and boxed. Cattle-Pak product is derived from carcasses that fall generally between 550 and 700 lbs, while our HRI product line, which is basically the product sold as separate cuts includes carcass weights to 950 lbs. This range of 550 to 950 lbs then accommodates our current clientele - the lighter weights going into boneless and semi-boneless fabrications and sold primarily in cattle units, while the heavier weights are usually fully boned and sold as individual cuts. While we can safely say that the current spread of weights in our carcass mix (with the exception of those over 900 lbs or under 550 lbs) accommodates our customer base, I can certainly tell you that from a sales perspective we'd rather have more 650 to 700 pounders than 750 to 950's.

If we look at the carcass weight issue more closely, we can see that within the Cattle-Pak range of 550/700 lbs, the ideal weight would be 700 lbs or at least 650/700. This is for the two basic reasons that the 650/700 pound carcass will out yield (in terms of closely trimmed retail cuts) the lighter weights for the retailer, and since it costs us the same amount to process a 700 pounder as a 550 pounder, our production costs per pound would be lower. Our studies have indicated that optimum saleable yields would be achieved from carcasses weighing around 750 lbs. We may see retailers moving more toward that weight as they gain comfort in retailing portions from the slightly larger cuts and as they accept more fully boneless cuts for chain store use. However, heavier weights don't appear to be the trend at retail.

Once the carcass weight exceeds 750 lbs, we progressively lose the enhanced retail cut out values that we gained as we approached 750 lbs from the other side. Additionally, the heavier the carcass gets, the more limited the customer base becomes due to difficulties in merchandising the larger cuts.

So our conclusion on carcass weights is that while today's 550/950 weight range adequately serves our present purpose, we recognize a trend toward weights that may ultimately reach a 600 to 800 lb. range.

Cutability

Today, IBP processes yield grade 1's, 2's, and 3's exclusively, selling the yield grade 4's and 5's in carcass form. This standard has always been in place with us and will continue in the future.

On a long term basis we envision a tightening of our cutability specifications to eliminate the fatter end of the yield grade 3 carcasses, perhaps at 3.3 or 3.5. The industry can cut the excess fat off, but developing ways to keep it from getting there to start with is obviously more desirable. We believe more emphasis should and will be placed on back fat with some de-emphasis of the other yield grade criteria.

Quality

Today IBP processes carcasses that meet the minimum general requirements for U.S. Select. Since, like most other processors, we don't apply grade marks to the Selects, our product line consists of Prime (in very limited quantities), Choice and "No-Roll". Our marketing program accommodates the natural fall of carcasses into these 3 grades. As you all are acutely aware, though the percentage of Selects in the mix can drastically effect the value difference between Choice and Select. The discounts as high as \$17.00/CWT last summer illustrate this sensitivity. Retail marketing of the Select grade or even "No-Roll" hasn't progressed the way some of us thought it would. We are still (at least in the marketing chain) driven by marbling. We must eventually recognize that in young beef what happens for an hour in the kitchen has much more impact on eating quality of beef than what happened in the last 100 days of the animal's life. We hope that future trends will permit us to remove emphasis on marbling as the key quality indicator and develop a marketing program based on young, lean beef.

Maturity

At IBP we currently accept carcasses that fall into the "A" or "B" maturity group recognizing that through our live procurement program nearly 100% of the cattle we slaughter are "A" maturity. What this means is that nearly all the cattle we process are under 28 months of age, some substantially younger. As we evolve away from dependence on marbling we believe it will be highly important to emphasize youth in our beef. This is not to suggest that cattle in "A" maturity will be unacceptable, but we do suggest that even low "B" maturity will be undesirable.

Miscellaneous

Other areas for consideration are:

- **Conformation** - At IBP we have always sought full muscled animals. We don't process carcasses with dairy type conformation. We don't see that changing in the future.

- **Meat Texture** - Like everyone else in the trade we desire a firm textured muscle. As you continue your efforts at genetic improvement we recommend that you avoid creating course textured muscling.
- **Meat Color** - Again, like the rest, we desire a light red color in the lean. Darker meat is and will continue to be undesirable.

Once again, we appreciate this opportunity to share these views with you and I hope that this information is beneficial to your purpose.