

Value-Based Marketing

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The Value-Based Marketing session of the Science and Education Reciprocity Fair was to view and discuss the carcass cut-out and value from three lamb, pork and beef carcasses. Presenters discussed the carcass characteristics, the yield of cuts made from the carcasses using different cutting methods and value of the carcass as calculated from the value of the cuts produced. Information including photographs of the live animals and carcasses is presented in the paper "Value-based Marketing, Problems and Potential" by Savell et. al. (1993) published elsewhere in these proceedings. This information will not be repeated and the remainder of the presentation will focus on topics addressed by the audience or the presenters during the reciprocity.

Lamb

The importance of fat and the value of lean for various cutting methods was effectively demonstrated. However, other issues need to be addressed concerning value-based marketing of lamb. The type of cut, carcass weight and merchandising were noted as areas for improvement.

Some lamb cuts produced today may not fit the needs of the customer. The demonstration included innovative cuts from the shoulder and leg. However, there may still be some areas for value improvement. For example, the 204 rack is a popular product, but this cut includes a low-value 4-inch tail attached to the higher-value lamb rib chops. In addition, many lamb legs are too large and may not be friendly to the consumer because of the high value for the single unit.

Lamb carcass weight may also play an important role in value-based marketing. Presently 55 to 75-pound carcasses appear to be the most acceptable. However, carcass cutting methods and marketing of heavier lean lambs may affect this weight range specification.

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Reciprocal Meat Conference Proceedings, Volume 46, 1993.

Lamb value-based marketing also faces the challenges of merchandising at the retail level. Lamb cuts occupy only a small portion of the retail sales counter which in turn affects the level of effort retailers place on merchandising lamb. Production of retail case-ready lamb cuts may help overcome this problem.

Pork

Pork value-based marketing has been expressed in the current set of packer buying systems. Currently 58% of the hogs are purchased on a carcass merit program by packers. The swine industry has reached a point where the packer can know the composition of the carcass, the retailers understand the value differences in composition of cuts they purchase from the packer and in turn the packer can tell the producer what is wanted through buying programs. Pricing systems are presently built on differences in percentage lean in the carcass. Future systems may rely on component pricing systems that place price differences on the composition, quality and value of the individual cuts from the carcass.

Measurement of lean quality and its effect on carcass value will be the next important step for value-based marketing of pork. Development of automated systems that work in industry settings are needed to detect differences in lean quality. Without rapid automated systems, value differences in lean quality cannot be included in buying programs for the producer.

Beef

The influence of external fat and carcass quality grade (USDA Choice vs USDA Select) on carcass value was effectively demonstrated. Carcasses that grade USDA Select and have higher cutability yield grades can be as valuable or more valuable than carcasses that grade USDA Choice. However, the conflict between quality grades and excess fat is still a problem. The current population of market cattle requires excess fat production to achieve USDA Choice quality grades. Presenters suggested a short-term approach to value-based marketing in beef is to produce cattle that avoid the extremes in variation. For example, cattle that are overly fat, of very low quality grades, too heavy or too light.

The role of USDA quality grade is further emphasized by noting that four high-value cuts represent only 10% of the carcass weight. Even though the 180 Strip Loin, the 112 Ribeye Roll, the 184 Top Sirloin Butt and the 189 Tenderloin are only a small portion of the carcass weight, these four cuts account for 30% to 35% of the value of the carcass. The differences in value due to quality grade for these four cuts has a major

influence on value difference in carcasses.

Value-based marketing of beef will probably be expanded to include more than quality grades and excess fat. Producers and packers will also need to concentrate on other quality factors that hold value. These may include the health of the animal, avoiding injection site problems, decreasing carcass contamination, avoiding bruises, eliminating "dark cutters" and others. Value differences for these quality problems could be established for beef carcasses in the same manner that dif-

ferences can be established for USDA Quality Grades and excess waste fat.

Bibliography

Savell, J.W., F.L. Williams, D.B. Griffin, J.D. Tatum, J.C. Forrest, D. M. Allen, and D. E. Burson. 1993. Value-Based Marketing: Demonstrating Problems and Potential. Reciprocal Meat Conference Proceedings, Volume 46.