I’d like to thank the American Meat Science Association for the invitation to talk with you today on the subject of the global importance of meat quality grading.

I am a meat scientist by no stretch of the imagination, but I can share with you a number of observations on the meat quality grading system from the perspective of a leading marketer of beef and pork.

I am currently responsible for Excel Beef’s North American export efforts. We have sales teams in 5 international locations. Prior to my current responsibilities, I managed one of our U.S. beef plants, spent two years in Brazil and several years in sales management, both here in the U.S. and in Japan.

Without question, consistent meat quality is of paramount importance to U.S. meat customers around the world. It is also the key to profitability for North America’s beef and pork industry. Beef and pork continue to see their market share erode, while broiler and turkey consumption have grown dramatically since 1980. Each time a consumer chooses another meat, they make a value decision. In addition to price, consistency in taste, tenderness, and healthfulness are the primary drivers in their decision.

With the red meat industry perched for continued tremendous growth in export markets, we must effectively answer concerns we have heard from U.S. consumers, before we feel them elsewhere. I said “feel them” because they are already issues, but have been disguised by growth and falling duties. International consumers make the same decisions as U.S. consumers. Can I feel good about this $9.00 (or in some markets $40.00) purchase? Will it eat well? Will it eat as well as it did last time? Will my family’s part of the dinner eat as will mine? If we don’t eliminate these questions, we may see ourselves opening and developing valuable markets for U.S. beef and pork, only to see other meats then take exports.

A number of surveys show that the USDA beef grading system plays an important role in the confidence customers around the world place in U.S. beef, particularly in the markets of Japan, Korea, Mexico and Taiwan. So moves to abandon our current system, as some suggest, without a careful plan for its replacement could have a damaging impact on our export results.

In short, we need a system that is consumer-responsive. We have to respond to market signals if we expect to reap the maximum return from each animal working its way through the chain, from the farm to the fork.

With the goal of expanding beef and pork consumption both at home and abroad, our next steps must include the following:

• Targeted quality evaluation to allow for programs such as our Sterling Silver, Angus Pride, or more industry-wide programs like Certified Angus Beef (CAB)—each bringing specialized value to customers;
• Quality evaluation by cuts instead of carcasses—so that primals from cattle that would not grade Prime or Choice as a carcass could be identified for their inherent quality;
• A system that is responsive to the signals sent by our consumers;
• A strong correlation of consistency to ensure that customers are not ever surprised with the quality they choose to purchase.

In short, if we expect to grow and maintain market share, consumers must have a positive experience every time they buy our products.

Much of the world’s meat industry has no need for grading. I see two factors contributing to this. In some cases, there is simply very little variability in their products. In other cases, the markets that buy their products don’t recognize the value differences reflected in what variability is present. Examples of this would be the Brazilian and New Zealand beef industries. In the pork industry, the Danes and Taiwanese (until recently) produce a product with a tight meat quality range. No example is better than boneless, skinless, chicken breasts sold in the U.S. today with consistent quality assumed. I can’t remember the last chicken breast I had that was unusually good or bad.
Carcass break, lean percentage, and animal nutrition programs have made the U.S. hog carry different, sometimes lower, values in key world markets as compared to competing suppliers. At Excel we believe that these differences can be overcome when we make a strong, concerted effort.

Daryl Tatum, a Ph.D. from Colorado State, described in a recent issue of the N CBA “Beef Facts” bulletin that the USDA has established standards for grades of slaughter cattle and carcass beef which aid beef marketing by separating a highly variable population of beef.

The upper end of this variable supply is where the U.S. has the world’s leading high-quality beef image, while at the same time, the span of quality variation within grades has created the frustration and confusion that have hurt our value proposition with consumers. In particular, the beef industry needs marketing systems that comprehend and respond to what customers really desire. The industry must creatively anticipate the improvements they desire, and quickly respond. Through this, we build reliability, consistency, and most important, loyalty and demand for our products. I say quickly not to be trite but to reemphasize that our performance gap with other meats is widening. Each year, it becomes a more difficult and longer road to recovery.

In their buying decisions, consumers send a message that must be translated back through the production chain. Through proper communication, the entire red meat complex will be focused and driven to more easily and cost effectively respond to changing consumer preferences.

So, What Must the U.S. Red Meat Industry Do?

I suggest that the pork industry is well on the way. This is most evident in the way several firms have begun to creatively market branded and value-added tenderloins and loin muscle meats.

Some of the “enhanced pork” products, like our “Tender Choice” brand, available today are the best my wife, my four children, and I have ever eaten. While there may be merit in adding clarity to some of the requirements for color and PSE to key international markets, I would suggest that creating an industry standard for all pork is not the answer.

Ostensibly, the beef industry has such a quality system. Yet nowhere else in the supermarket is the customer more confused than when they buy beef. That’s because few shoppers actually know what the quality standards are, much less, what they mean. Long term, the real need is for a properly priced, fully private-branded, tasteful, eating experience that is reliable and consistent for each and every consumer.

How Will We Get There?

First, let’s discuss what we should not do. We must not:

• Blame individual segments of the industry for the problems of the entire industry. This only wastes valuable energy, time, and worst of all, it drains our cooperative spirit, which today is in fairly short supply.

• Look for the “other guy” to move first, or even alone, to create new market share through improved genetics, or respond to new market signals, or build an alliance with a special retailer, or create some new government program.

• Design a replacement system until we have placed much more emphasis on consumers world-wide, rather than on the issues important to the industry’s current production, processing, and delivery system.

• Assume that scrapping the current system will, by default, lead to a better system. But conversely, we must not be afraid to scrap a “good,” reputedly successful system once the industry has done the proper research and consumer testing—at home and in export markets on a new approach.

• Fear our NAFTA neighbors. To fight the NAFTA battle all over again only wastes precious time and limited resources. The industry must be focused on developing overseas markets. That is where our growth and our future lie. Building a wall and a moat around the U.S. domestic market is not, and will never be, the answer.

We are involved in a total global food environment that will never be the same. The factors of comparative advantage, the adoption of technology, and world-wide demand expansion make our future as bright as we choose to make it.

As we discussed earlier, U.S. per capita consumption of beef and pork have each declined significantly since 1980–while, according a recent piece by Dennis Avery in the Journal of Commerce, China increases its pork consumption by millions of metric tons each year. This year, the Chinese will consume only 4 pounds of beef per capita. As the industry works in concert with government trade officials to make trade barriers fall, and as Chinese income rises, we want to be ready to win that market and others like it around the world.

When we sell chilled beef to major supermarket chains in Japan, they buy primarily Choice and Prime product. But the issue of the day for our industry is not whether we should risk giving up the system they trust. The Japanese consumer doesn’t understand the term “USDA Choice.” They are seeing a label called “Kansas Beef” and trusting Daiei to make it good. In the same way, a Hy Vee store in Lincoln, Nebraska asks consumers to trust that “Blue Ribbon Beef” will be excellent.

We need to retool our industry to see that whatever we call our grade, or brand, it’s a consistent, excellent eating experience. Let’s get personal; do we trust our teenager to stop by the local supermarket to pick up steaks to serve our boss for a big meal. It shouldn’t take an expert.

The challenge we have to meet is to create a system that embodies a number of new concepts:

• A “North Americanized” beef grading system—a single grading for the North American Continent, that will:

  • lower costs for consumers in the western United States and Eastern Canada;
  • raise returns for livestock growers in those same regions;

• show the U.S. as true, free-trade leaders.
• A willingness to explore private sector grading, if issues of credibility and market responsiveness can be ensured. To accomplish this, we would need a system that:
  • is managed by industry stakeholders (i.e., consumers, retailers, restaurants, purveyors, packers/processors and producers);
  • uses a North American quality standard, as well as private grades where companies or alliances are creating brand-name products;
  • uses the best available technology and effective marketing materials tailored to all key world markets to ensure that our current and future customers fully understand the value proposition just as much as they understand cost.

Consumers Everywhere Vote With Their Pocketbooks.

Today, the red meat industry, particularly beef, is lagging behind the rest of the protein industry. We must face that fact that with consumers, we get what we deserve. We must at least start with a blank sheet of paper and focus on all of our opportunities.

In addition to quality grades, food safety and worker safety, price and value, palatability, consistency and convenience are our key business drivers. They can help us grow and win in both domestic and foreign markets, or if misjudged and poorly managed, can further erode our share of market.

On a trip to our Schuyler and Nebraska City, Nebraska plants last week, I heard on the radio a speech by a co-founder of Netscape on the subject of the Internet's changing technologies. What struck me about his talk was a total willingness to rethink last year's assumptions.

We must be the segment of the food industry that most successfully creates fantastic, repeatable eating experiences for consumers around the world. We can do it!

Thank you for your attention. Again, I appreciate this opportunity to be with you.