



March 2017 – Livestock Market Update

Public Policy Department
Budget & Economic Analysis Team

Beef Trimmings Critical to the Beef Value Chain

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Beef trimmings are the portion of the carcass that is “trimmed away” when the carcass is broken down into meat cuts such as steaks, roasts, and various other items. These come off the carcass as chunks of beef and fat that are not associated with a specific cut. They are estimated to account for 14 percent of the carcass and are an important piece of the beef supply chain. Typically they enter the food system as ground product. However, that’s not to say all ground product is trimmings. Meat processors will grind muscle cuts when economically advantageous.

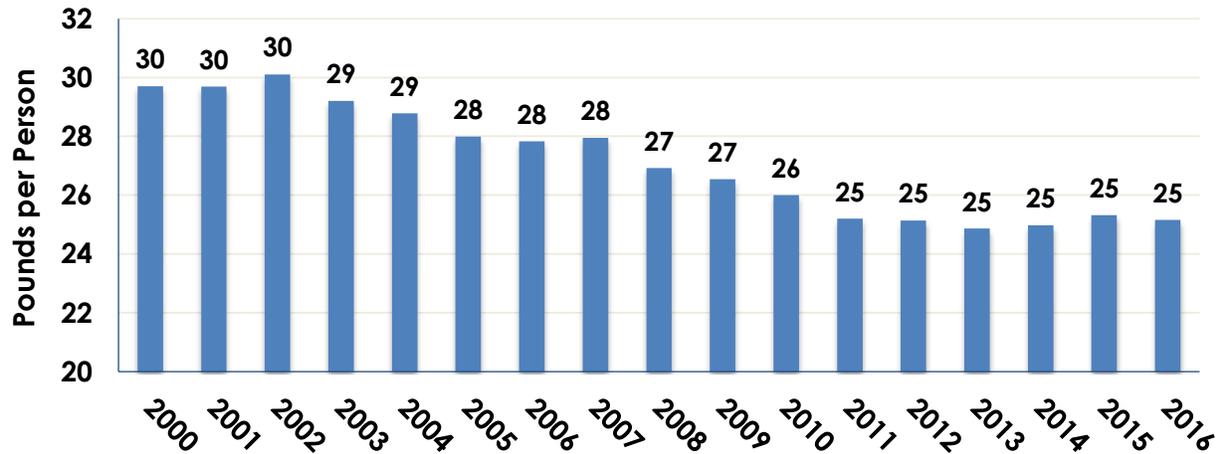
Trimmings at the wholesale level are sold in a variety of leanness: 94-92, 90, 85, 81, 75, 73, 65, and 50; and can be fresh or frozen. The number refers to the percent lean, or the amount of meat that makes up the mixture of beef and fat. Most fed cattle in the U.S. produce trimmings that are 50 percent lean. Cull cows (much of it is fresh product) and imported beef (typically frozen from Australia, New Zealand, South America and Central America) make up most of the 90 percent lean product. This imported and cull cow product plays a critical role in cutting the fat heavy content of trimmings produced by steers and heifers. Achieving the 85-65 percent lean products is often done by using custom mixes of 50s and 90s.

There can be substitution across leanness levels and product linkages, and economic drivers at the processing level are complex and change seasonally as well as year to year. The options of trimming mixes is made infinitely more complicated when including mixes that include ground muscle cuts. Processors are always looking optimize the value of the carcass. On the retail level, consumers can choose a leanness and do so depending on taste and preferences as well as what they plan on cooking. Restaurants serving hamburgers are typically using an 85 percent lean mix.

Trimming and ground product are priced largely on meat content. The higher the meat content, e.g. the leaner the product is the more expensive it is. The average differential between the Fresh 50 product and the Fresh 90 product has grown over time. Back to 2000, this spread was \$97 per cwt, increasing to \$113, and the last five years has averaged \$149 per cwt. Part of this shift is that consumers have demanded leaner product mixes. The other key component is the underlying shifts in cow herd that affects trimming supply: the number of dairy cows entering the slaughter channels, or the economics of importing ground product. This is why you hear analysts sometimes talk of the abundance of fat in the U.S. Most cattle slaughtered here are grain fed steers and heifer that will produce a 50 percent lean product and necessitates importing leaner beef to achieve the mixes consumers desire.



Figure 1: Per Capita Trim Supply
2000-2016



Source: USDA. Compiled by LMIC

Sheep Inventory Slips Lower, Goat Inventory Edges Upward

The January 1 sheep inventory report released by USDA-NASS is the first and only look at sheep inventory in the entire calendar year. The report came in with market lambs and breeding flocks slightly below a year ago. Breeding ewes were down 2 percent or 95 thousand head from last year. Total lamb inventory was down 10 thousand head, less than a 1 percent decline. The largest decline was in North Dakota registering a 10 percent drop from 2016 numbers of all sheep, followed by Kentucky and Colorado. Texas handily has the largest sheep herd, which is estimated at 700 thousand sheep. The next largest sheep herds are in California (585 thousand head) and Colorado (395 thousand head). Herd growth was limited, about 13 of the 32 states that report sheep inventories showed a positive year over year gain, the largest was New Mexico up 8 percent, or 7 thousand head. Only one of the top 5 sheep states showed an increase, and that was California, adding 10 thousand head.

This trend is on point with the long term trend of shrinking sheep numbers. The U.S. sheep population peaked in 1942 with over 56 million head and today stands just over 5 million. This is in contrast to the rising goat population that has increased over the last few years. Goat inventories added 20 thousand head nationally, bringing the total to just over 2.6 million goats. Goats are considered a tri-purpose animal, albeit not simultaneously, used for milk, meat, and fiber. Meat goats are the most popular type of goat, representing 80 percent of the total goat population followed by milk, and angora (fiber) goats. Texas also has the largest goat population, estimated at nearly 900 thousand head.



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Lamb and goat meat are very popular among ethnic consumers for various holidays throughout the year. These consumers also have specific cuts and preferences linked to different holidays. This can result in different seasonal patterns than beef or chicken, particularly for goat meat which is not as widely consumed as lamb.

On the price front feeder lamb prices (3-market average) were 3 percent lower in 2016, while national direct slaughter lambs were down about 5.5 percent. For 2017 prices are expected to average close to 2016 figures given little change in inventory. Demand for lamb also usually does not have a lot of variability year to year, and roughly stands at 1 pound per person. Similar figures are expected to be consumed in 2017 balancing those supply and demand features. At this time there is no “national” goat price and auction data can vary quite a bit regionally. Slaughter kids and yearling goats sold at auction in San Angelo, Texas, averaged 6 percent lower than the previous year, while similar age goats auctioned in Pennsylvania average 4 percent higher in 2016. Meat goat demand continues to grow under changing demographics in the U.S. and is difficult to track. Many goats are slaughtered on farm and do not enter through the system in traditional slaughter channels. This leads to challenges on the market analysis front in estimating per value of products and prices as most of the information available today is through auction data.

Figure 2: January 1 Total Sheep and Goat Inventory
2005-2017

