



Focus on Food Service

2006 was a banner year in Certified Hereford Beef® (CHB) food service. Program sales were up 54% for the year (as of this writing) and now account for nearly 10% of all CHB sales. The credit goes to the tenacious efforts of Michael Elwer, CHB LLC's food service representative in the eastern region; Empire Beef, a lead distributor that services 11 smaller distributors in six Eastern states; and the carry-over from former Ridgefield Farms serviced distributors in the Southwest.

What does this mean for CHB LLC supporters? The increase is clearly a welcomed effect, but this demand is more targeted toward cuts and criteria that can be difficult to supply.

One-in-three carcasses

While the category represents only 10% of overall sales, cuts from one-in-three CHB carcasses flow through CHB's food service channel. The reason and issue are carcass balance. Food service traditionally favors the most reliably tender rib and loin cuts and compliments the mix with *thin meats* — cuts from the minor primals that fit a specific culinary purpose or tradition.

As a result, the cuts that best represent the CHB eating experience

— cuts like ribeye, KC strip and filet mignon — are disproportionately sold to food service. And there, where we hope incompetent cooking is not a factor, our product must test against the best of the best.

We're not often successful in branding that eating experience. Most patrons would never know they're eating Hereford beef because the restaurateur doesn't recognize the marketing benefit. Our job is to sell them on that concept.

Aging product

Food service ages product. The effect of aging, particularly 21 days, on tenderness is well documented. It's a value-add every premium program should have.

The pipeline for food service product is much different than retail. It is steadier, meaning that weekly demand doesn't really fluctuate although there are seasonal peaks and valleys. Food service is also less responsive to a glut of supply. Retailers can quickly move through surpluses with ad features their food service counterparts can't mimic. Volatility in cattle supply is easier to deal with, in some respects, in the retail arena than in food service. And we do know about volatility. Packers have held back

weekly production for several months in an effort to prop up profitability. It hasn't always worked but it has made supply a challenge for the food service distributors we've gained in the past year.

Choice-grade preferred

Currently two-thirds of our food service business pays a premium to secure Choice-grading Hereford beef. Two years ago CHB LLC rolled out a Choice-only program in response to customers wanting to add that marketing attribute. The emphasis here is clearly on marketing, as our research does not indicate that additional marbling in our product is warranted by the eating experience. Most consumers don't recognize Choice and there's some indication that the word Select, while not understood, has more appeal.

Food service operators, and particularly chefs, are well versed in the grade terminology. They have been taught by profession and repeatedly told by salespeople that Choice is a minimum standard of quality. As a result, our food service story is commonly told with the inclusion of this specification. Hereford cattle, on the whole, do not exceed at this attribute but do produce a consistently satisfying product. This

summer, we did a blind analysis of both CHB Classic (blended from Choice and Select CHB) and a competitor's top Choice beef and found no difference in fat content in the edible muscle tissue. In other words, if fat equals flavor, we're at no disadvantage at all.

Staffing up

CHB LLC is staffing up to address the challenges and seek the benefits of food service opportunities. CHB's food service effort demands a more structured approach. The story of growing demand and high-end acceptance of Hereford beef must be told to the trade and to the consumer.

Growth in food service must continue at its presently steady clip if we are to achieve our vision of the category being 20% of overall sales. Part of our restructuring involves the hiring of our first fully dedicated food service staff member. The new hire will be charged with growing our business and also assuring our brand is prominent in the trade. We must also use this category to further promote the quality of our Classic line and the value of our chuck, round and brisket cuts. **HW**