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Budgeting for Beef

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BUDGETING FOR BEEF

Farm and retail beef prices are currently at a rather high level although a decline is expected during the next six months. During periods of high food prices consumers often turn to buying beef from feedlots, or buying sides of beef from retail stores. Purchasing beef this way is said to be more economical, but is it? Can you really buy a 600 pound carcass for less than most people pay for hamburger? Let's compare the costs involved in 1) purchasing beef from the meat counter, 2) purchasing locker beef from a supermarket, and 3) purchasing a steer out of a feedlot.

1. If you start with a 1,000 pound USDA choice steer, you get about a 600 pound carcass, which after shrink and trimming yields about 437 pounds of choice meat. If you buy 437 pounds of meat at the supermarket, you will pay about \$617.65 (\$1.40 per pound). Retail cuts included in the 437 pounds are listed on the work sheet.

2. If you buy a 600 pound choice carcass from the meat department of your local supermarket, you will pay about \$576.00 (96¢ per pound) including cutting or grinding, wrapping and freezing. Locker rental will add about \$21.60 per year.¹ Interest on investment at 5 percent per year will add about \$15.48.² So the total payment for 437 pounds of locker beef purchased from your local supermarket will be about \$613.08 (\$1.39 per pound).

3. If you buy a 1,000 pound choice steer from a feedlot, you pay about \$490.00. To this you must add a slaughtering cost of about \$10.00. To have the carcass cut or ground, wrapped and quick frozen you should budget \$72.00

(\$.12 per pound). Also add locker rental of \$21.60, plus interest on investment of \$15.38 per year. The total payment for 437 pounds of locker beef purchased from a feedlot is about \$608.98 (\$1.38 per pound).

To summarize the three alternatives:

1. Purchase beef at the meat counter: total cost of a carcass - \$617.65.
2. Purchase a carcass through your supermarket: total cost - \$613.08.
3. Purchase an animal out of a feedlot: total cost - \$608.98.

Additional savings might be possible when purchasing a carcass vs. individual cuts. When you own the carcass you will eat some less tender and less expensive cuts of meat which you might not buy if you were purchasing individual cuts.

If a person chooses not to buy a carcass, there are other ways to save money on meat purchases. For example, if you own a freezer, or rent a locker, you can buy meat in quantity when your supermarket has a special. You may also buy lower quality meat, but if you do, what you give up in price you may also give up in quality. To pursue this option, additional thought should be given to ways of preparing less tender cuts to make them more palatable.

Because beef prices and other costs may vary from those used in these illustrations, you should calculate the various options for your own situation. Also remember there are a number of ways that a beef carcass can be cut for consumer use which can increase or decrease its value.

¹Assume 50% utilization of locker for beef. Depreciation and electricity on home freezers will be about the same amount. ²See footnote on back side.

YIELD OF RETAIL CUTS AND RETAIL SALES VALUE FOR 600# CHOICE BEEF CARCASS
YIELD GRADE 3

Retail Cut	% of Carcass	Amount in lbs.		Local Example Retail Value lb.	Total Value of Each Cut
		of a 600 lb. carcass			
Rump, boneless	3.3	19.8	X	\$1.86	= \$ 36.83
Inside round, boneless	4.1	24.6	X	\$1.05	= \$ 50.43
Outside round, boneless	4.4	26.4	X	\$1.99	= \$ 52.54
Round tip, boneless	2.5	15.0	X	\$2.19	= \$ 32.85
Sirloin, bone-in	8.3	49.8	X	\$1.99	= \$ 99.10
Short loin, bone-in	5.1	30.6	X	\$2.19	= \$ 67.01
Blade chuck, bone-in	8.9	53.4	X	\$1.09	= \$ 58.21
Rib, short cut (7"), bone-in	6.1	36.6	X	\$1.82	= \$ 66.61
Chuck arm, boneless	5.8	34.8	X	\$.99	= \$ 34.45
Brisket, boneless	2.1	12.6	X	\$1.60	= \$ 20.16
Flank steak	.5	3.0	X	\$1.49	= \$ 4.47
Lean trim	10.3	61.8	X	\$.89	= \$ 55.00
Ground beef	11.1	66.6	X	\$.59	= \$ 39.29
Kidney	.3	1.8	X	\$.39	= \$.70
Sub-Total (Edible)					<u>\$617.55</u>
Fat	17.8	106.8	X	\$.03	= \$ 3.20
Bone	9.4	56.4	X	\$.03	= \$ 1.69
TOTAL	100.0	600.0			<u>\$622.54</u>

Reference: USDA Meat for Locker 436.8 lbs. (600 lbs. - 106.8 lbs. fat - 56.4 lbs. bone)

This can be used as a worksheet. You can determine current local retail prices for a side of beef if cuts are bought from the counter for comparison to a side purchased for freezer.

²This assumes the money would earn 5% annually in a savings account. But since the principal would be taken out in increments during the year to purchase beef under option 1, only one half of the potential interest is charged against the carcass option. If a consumer must borrow funds to purchase the carcass, then the interest charged must be adjusted upward.

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