

CAB CONNECTION

True value of the carcass

by Justin Sexten, Certified Angus Beef LLC



Whether you sell finished cattle or not, the Choice-Select spread plays a role in how the next owner values

what you produce. That spread represents the extra value per hundredweight (cwt.) a packer makes from selling all the boneless beef from a USDA Choice carcass over a USDA Select carcass.

Beef marketers have tracked that spread for decades as a value barometer, going back to when it came from average sale value of whole carcasses. To figure the “comprehensive cutout” by grade these days, packers report weekly primal sale values to USDA and private firms like Urner Barry using a standard fabrication style. Those individual values are rolled together with weighted averaging into a combined carcass value.

Remember, cutout values come from sales of beef primal cuts, quite a few steps beyond the front door and out the cooler, which is why these spread premiums don't match grid premiums paid for fed cattle. Also keep in mind, when it comes to any Choice grid premiums paid, those are generally only after subtracting the plant average for Choice, which has been climbing steadily.

For the first 10 months of 2018, the Choice-Select spread was \$9.91 per cwt., but we need to figure in a carcass weight to see what that means per head. For this example, if we apply the spread to a 900-pound

(lb.) carcass, there's a value difference of \$89.19 between Choice and Select carcasses of that weight.

CAB's impact

Many people who have not sold finished Angus cattle don't realize the impact of the *Certified Angus Beef*® (CAB®) brand on the industry today from gate to plate.

First, there's a greater share of all fed cattle accepted for the brand today than grade Select. In those first 10 months of 2018, 17.7% of fed cattle graded Select, while 20.2% earned the CAB brand.

Yes, that's figuring in all fed cattle. If you consider only those identified as predominately black-hided under the Angus phenotypic live-animal specification, more than 32.6% were accepted for the brand.

A better barometer of the quality beef market today is the CAB-to-Choice spread. [Subscribe to the CAB Insider (<https://www.cabcattle.com/targeting-the-brand/cattle-marketing/>) to get this kind of information delivered straight to your inbox every two weeks]. Not yet counting November and December of 2018, the CAB-Choice spread was \$9.03 per cwt., or \$81.27 on that same 900-lb. carcass. If you

want to compare a Select to the CAB carcass, add the two values to net a \$170.46 difference in carcass value.

It's important to note that, according to Urner Barry data, the CAB-Choice spread has added more value to that total premium than the Choice-Select spread in eight of the last 11 years.

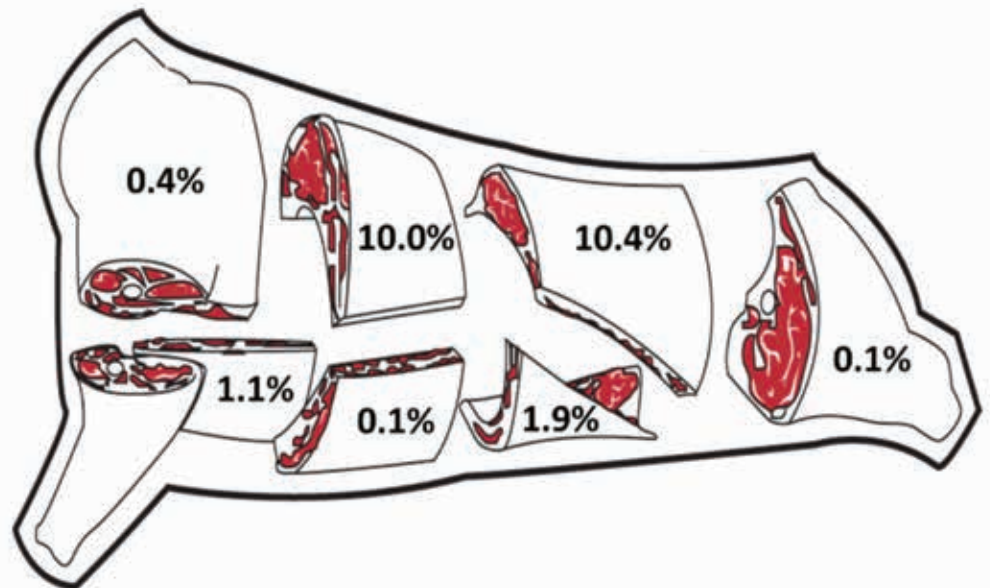
Where differences occur

Is this review really news? The idea that higher-quality carcasses are worth more certainly isn't. The news

You might think the rib is the most valuable primal, and indeed it is in terms of dollars per pound. Yet, when we compare the entire primal, the loin is most valuable because of the premium for middle meats combined with its weight, nearly twice as much as the rib.

Of the \$81.27 in premium found in an entire CAB carcass, \$35.45 is found in the loin. The rib is next at \$18.14. The chuck makes up nearly 30% of the carcass, and a CAB chuck carries \$13 added value over Choice. Although many livestock

Fig. 1: Percent increase in value by primal, comparing Choice to Select carcass cutout



comes from where the value differences occur, and we can take a closer look by rolling those comprehensive cutout numbers the other way. We can see how those primals contribute to the total. That's where the data get interesting.

judges praise thick-quartered market steers, the value of the round is less on a per-pound and total-weight basis, contributing \$8.80 to the total.

When specifications for the CAB brand were established in 1978, Bobby “Dr. Bob” VanStavern was looking at consumer data that could not differentiate between low-Choice and Select, because those had previously been combined as the Good grade. That's why average Choice (Modest marbling) was set as one of the bars for brand acceptance. When we look at the

CERTIFIED ANGUS BEEF LLC

206 Riffel Rd., Wooster, OH 44691-8588; 330-345-2333; fax: 330-345-0808; website: www.cabcattle.com

John Stika, president
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SUPPLY DEVELOPMENT DIVISION
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Paul Dykstra, beef cattle specialist, Chappell, Neb.

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value of CAB's 10 carcass specifications relative to Choice, value is shifted across the carcass.

The increase in carcass value attributed to the Choice-Select spread is found almost entirely in the rib and loin. As you can see in Fig. 1, there is little additional value to the Choice carcass in the chuck, round, flank, plate or brisket. Using maturity and marbling as the only "specifications," the small increase in marbling from Select to Choice only adds value to the 33% of the carcass represented in the rib and loin.

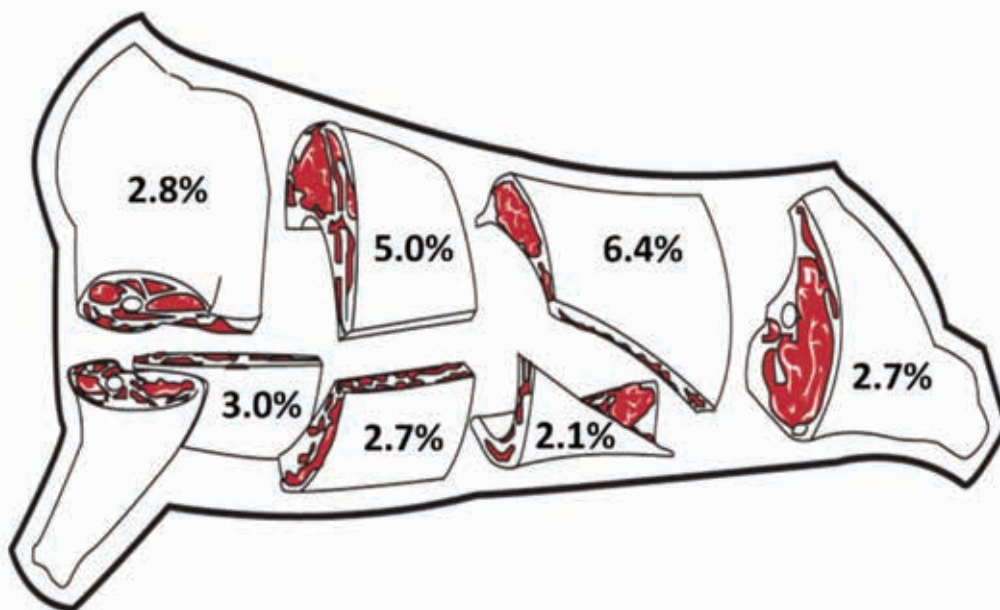
On the other hand, look at Fig. 2, comparing the distribution of carcass value between Choice and CAB. The rib and loin continue to lead the way in added value, but the additional marbling beyond low-Choice, combined with the nine other specifications of quality and consistency increase the value of all primals in the carcass.

The other percentage increases are not as great as for the rib and

loin; but remember, 67% of the carcass weight is outside of those middle meats. With more valuable end meats, you as producers benefit from the retailer's and restaurateur's expanded market opportunities. Those go beyond ribs, strips and tenderloins because they can use a higher-quality product wherein consumers can taste the difference.

This illustration begs the question of what the CAB-to-Prime value distribution looks like. Unfortunately, there are limits to that comparison because low supplies of Prime beef have historically restricted carcass utilization, as well as price reporting. We could speculate that the Prime

Fig. 2: Percent increase in value by primal, comparing *Certified Angus Beef®* to Choice carcass cutout



value distribution would likely resemble Fig. 1, with limited value added to the ends with exception of prime briskets.

The likelihood of consumers changing their minds and increasing demand for a lower-quality beef product is very slim. As the quality-grade mix continues to improve, and

with Prime grade at all-time highs, we need to adjust our bellwethers to reflect changes in the marketplace. |

Editor's note: This column is a regular column authored by staff of Certified Angus Beef LLC to provide insights into the brand and how commercial cattlemen, feeders, packers and consumers can profit from its high-quality target. Justin Sexten is the director of supply development for CAB.

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RON FRYE | MARKETING
406.600.7514 ronfryemarketing@gmail.com

