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TIMING THE MARKET

A ranch view of grid marketing.

by Jera Pipkin, *Certified Angus Beef LLC*

Hitting a target takes practice, careful calibrations, attempts and recalibrations over time. Cow-calf producers make decisions every day, but how many of those relate to the calves' ability to realize their potential and hit a high-quality beef target?

At the *Certified Angus Beef*® (CAB®) brand's Feeding Quality Forum this summer in Sioux City, Iowa, the brand's own beef cattle specialist, Paul Dykstra, summarized the rancher's dilemma.

"You and I as cow-calf producers unhook ourselves from our product very early in the life cycle of that animal," he said. "It's not that we don't care about what happens to our calves as they go on, or that they don't have value to the next owner. It's the fact that we don't ever learn about that."

The exception, he said, is the small percentage of herd operators

who retain ownership through finishing and harvest. The rest naturally move on to the next production season, the next calf crop.

In the last 10-15 years, the average calf sold has carried increasingly greater potential to hit the Choice, CAB and Prime targets. That's partly because the market incentivized such genetic

potential through grid marketing, Dykstra said.

That type of marketing greatly increased in those years, too, he said, reviewing the basics. Carcasses with more marbling and a lower yield grade earn the highest premium, while those with the least marbling and most external fat (higher yield grade) stand the greatest discounts.

"The landscape has changed in marketing cattle," Dykstra said. "The fact — and how short of a time frame and how dramatically it has occurred — is important for us to recognize."

It suggests that calves capable of topping a market should fit that later grid market.

Technology gains

Technology has affected the calf and cattle markets at every level. From DNA

testing on the ranch to feeding distillers' grains for better feedlot performance to camera grading in packing plants, improvements have driven an increase in carcass quality.

Carcasses accepted for CAB grew from 2.5 million to 4.5 million in a decade, with new supply records toppling every few weeks and nearly every month.

Rapid increases in supply typically mean lower premiums, but the Choice-Select spread has run steady to higher, even as the supply of Select fell dramatically.

"If we're going to get paid for CAB, we first get paid on the Choice-Select spread above plant average, and then we add on top the CAB premium," Dykstra said. Showing the trends that go against expectations, he added: "The price only gets stronger as we moved into more supply. It doesn't get weaker."

He showed examples of steers that may look very similar, but —

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“These last two springs, we saw a \$20 Choice-Select spread there in April and May,” said Paul Dykstra, CAB beef cattle specialist. “If we deliver a 500-pound calf in October to the feedyard, it’s probably not coming out in April, May or June.”

by virtue of feed efficiency, carcass quality and other performance factors — command a value difference of \$131 per head.

“We need to figure out a way to get those dollars and cents back into the system,” Dykstra said, suggesting a need for more documentation and perhaps more attention to “terminal” trait selection in the cow herd.

“Even in herds that keep replacement heifers, 80% to 85% of the calves are terminal,” he pointed out. Studies show more than 92% of eligible cattle that failed to qualify for CAB fell out for lack of marbling, while balanced selection to include that trait has almost no impact on other traits.

Looking at the bigger picture, he noted the effect of seasonality in markets, showing predictable spikes in the Choice-Select spread, especially in late spring.

“These last two springs, we saw a \$20 Choice-Select spread there in April and May,” he said. “If we deliver a 500-pound calf in October to the feedyard, it’s probably not coming out in April, May or June. It’s probably coming out in July when the carcass-quality price spreads are seasonally narrower.”

You can’t always change to better fit a market, “but if we want to capture the value we’re breeding into our cattle, we need to think about it.”

Editor’s note: Jera Pipkin is an intern with producer communications for Certified Angus Beef LLC. Beef Cattle Specialist Paul Dykstra made his comments at the August 2018 Feeding Quality Forum hosted by CAB in Sioux City, Iowa. The event was cosponsored by Where Food Comes From, Roto-Mix, *Feedlot Magazine*, Tyson Foods, Intellibond, Zoetis and Diamond V. For more information, including meeting proceedings, visit www.feedingqualityforum.com.



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