CAB CONNECTION

$92 million reasons to aim high

by Steve Suther, Certified Angus Beef LLC

The first time I finished my calves in 2000, grid premiums for hitting the *Certified Angus Beef*® brand (CAB®) had just taken a giant leap to $26 million for the year (see Fig. 1). We at the brand found out through our first biannual packer survey. I didn't bring much of that home to the farm in our first discovery year for the herd.

Barely 10% of mine qualified for CAB, with as many Standards, but we had a few more Choice than Select carcasses. My quality base was slightly worse than the national average, but much would change during the next 10 years.

Incentivized by the market and empowered by seedstock producers, Angus-type cattle in the mix moved up from 47% to 67%. CAB acceptance rates didn't catch fire till late in the last decade, as better marbling genetics kicked in and then doubled in the last decade.

Grid, formula and forward contract marketing grew from less than 40% of fed cattle sales to half for 2010, on the way to 79% now. As CAB sales grew from half a billion pounds (lb.) at the century's start to near 800 million lb. 10 years later, premiums paid for the brand were more important mainly because a greater percentage of commercial Angus calf crops were qualifying.

Fueled by artificial insemination (AI) and carefully chosen registered Angus cleanup bulls, even my herd was making 50% CAB.

Could it get any better? Oh, yeah.

We used the growing array of genetic tools and collaborative management to set marbling records while the rewards grew. The apparent setbacks moved us forward, the recession proving that CAB demand actually goes up in hard times, and the drought resulted in culling the bottom-end cows, replacing with better — Angus.

Even as we endured recession and drought, net results only made the brand stronger, giving us opportunities to refine genetics, with more incentives and tools to better hit the target. By 2016, one load of my steers got to 80% CAB, including some Primes. More capable folks had already moved up to loads going all or nearly all CAB brand Prime.

Consumers loved it, and gladly paid premiums that came on down the line to those value-based contracts, formulas and grids. Last year, our survey says packing partners Cargill, JBS, National and Tyson paid $92 million in value-based procurement incentives for the CAB component. That was $6 million more than the year before, and nearly $30 million more than in 2016.

It was the sixth consecutive increase in annual CAB premiums paid.

The cumulative stack of premium dollars paid out for achieving CAB brand acceptance stood at near $860 million to start this year, and it's

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Fig. 1: Annual CAB® brand grid dollars paid

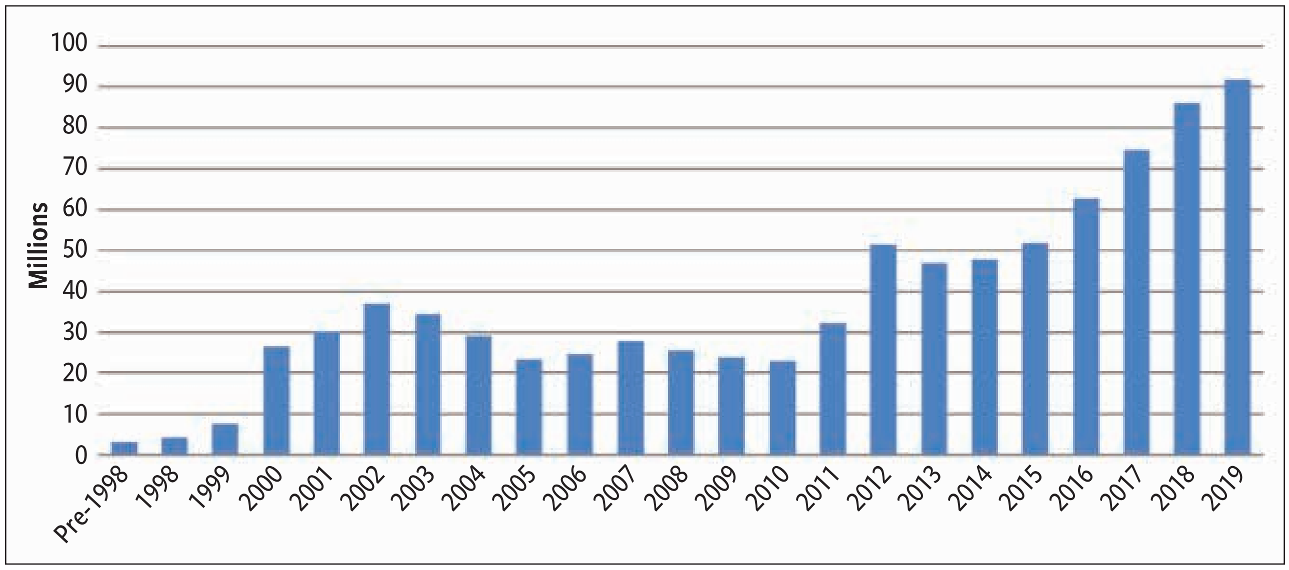
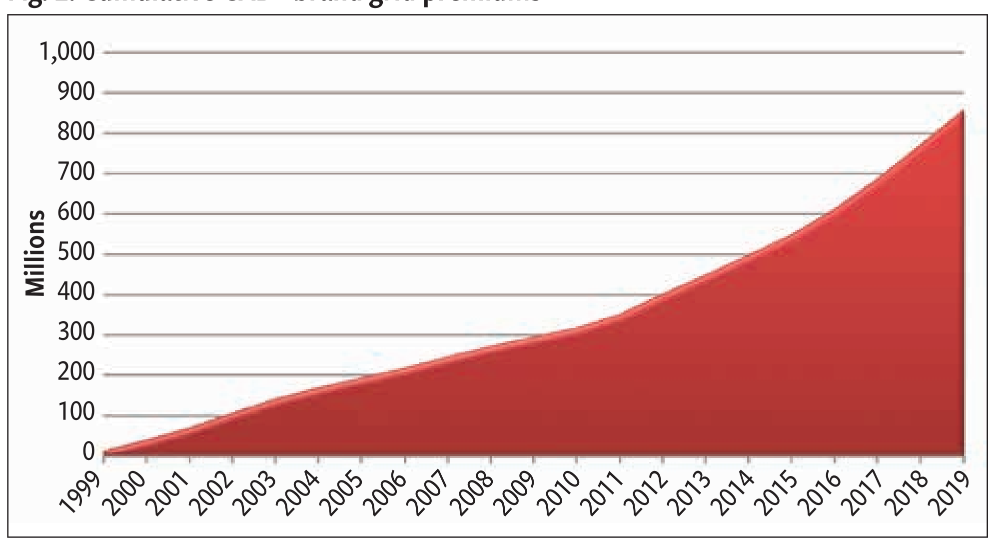


Fig. 2: Cumulative CAB® brand grid premiums



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growing at the rate of $7.65 million per month. In a couple of years, that stack will have eclipsed $1 billion.

Those numbers do not include any premiums for making Choice, and all CAB-accepted cattle are average-Choice or better. They don't include premiums for Prime, the fastest-growing CAB brand extension, now available at more than a dozen plants and making up most of the Prime at some of them. Prime premiums averaged nearly $14 per hundredweight (cwt.) of carcass last year and reached $24.35 one week in the fall.

It can still get better for all of us, especially if we build relationships.

There must be a dozen or more basic grid or formula programs, but relationships with packers have customized to make hundreds of slight variations. A procurement officer told me cash cattle are often valued based on records, and the ones that top the market often do so because of a known history that includes CAB and Prime.

When your calves sell at weaning, each year it becomes more and more worth it to try following up with the buyer — sometimes that can lead to data, so you know in advance if they can make 10% CAB, 50% or 80%.

We can often work together, look for opportunities to share information, maybe even trade help when branding, breeding or other processing. We need to know some cattle feeders by name, sight and handshake. Maybe "friend" them if it gets that far — but remember, the goal is friendly business that builds trust.

The consumer is certainly our friend, the source of all these premiums — and the next decade will bring more and more ways to connect. Let's keep building tomorrow together.

Editor's note: This column is a regular column authored by staff of CAB to provide insights into the brand and how commercial cattlemen, feeders, packers and consumers can profit from its high-quality target. Steve Suther is senior editor for producer communication.

Fig. 3: CAB® and Choice boxed beef premiums above select

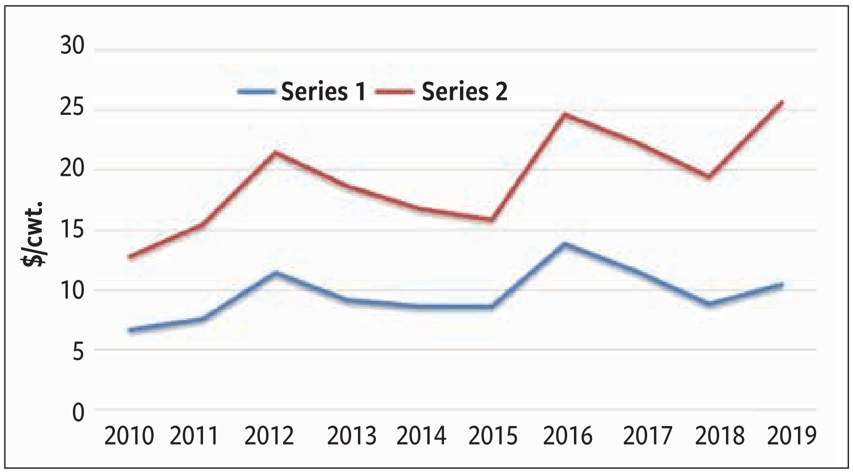

Fig. 4: USDA Prime production and premium