

182 MILLION WAYS



TARGETING CAB PAYS

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Cattle that meet CAB standards earn producers more than \$3.4 million each week.

by Morgan Boecker, *Certified Angus Beef*

Some might say it was a pandemic-induced fluke. Others think an abundance of high-quality beef creates a supply that reduces premiums. The market, however, suggests it's a trend that's here to stay.

A biennial survey of the four largest packers showed a dramatic increase in market rewards for the *Certified Angus Beef*® (CAB®) brand. Annual grid, formula and contract premiums paid on CAB carcasses in 2021 totaled \$182 million, up from the 2019 record of \$92 million (see Fig. 1). That's \$3.4 million per week going to producers hitting the CAB target.

Recent years of once-in-a-lifetime events spurred a higher volume of certified carcasses and increased

boxed-beef prices that helped drive CAB premiums to nearly double those paid in 2019. That signals very strong demand, says Paul Dykstra, CAB director of supply management and analysis.

The top reason cattle don't qualify for the brand has always been inadequate marbling (see "Top Four Reasons," page 94).

Individually, carcass quality needs to surpass the national quality average for premium access, because those averages inch higher each year.

"It's not good enough just to say, 'We reach 100% Choice in our Angus calf crop,' even though that's over the national average," Dykstra says. "The real gems are cattle that can hit at least 50% to 60% CAB with 20% Prime or better to get into the best premiums."



Raising cattle that fit your customers' needs is untraditional risk management. "Quality is always a hedge," Paul Dykstra says.

Such goals are a far cry from the 1990s, when dismal beef demand dealt

a staggering blow to an industry generating poor quality grades in fed cattle.

"We had a lot of people walk away

from our product in the '80s and '90s, and quality was a big reason. Our product wasn't very consistent," CattleFax CEO Randy Blach notes.

The highly marbled, branded product available today is the aggregate result of countless producers meeting consumer expectations for

taste, thus pushing demand the highest in 33 years, Blach says.

It's also a testament to CAB's pull-through demand model and the work people do every day to sell the brand to more than 19,000 licensed partners in 54 countries around the world.

"It's safe to say the premium values that we're seeing are reflective of having larger demand than we have supply of high-quality beef," Dykstra says.

Communicating calf value

Cattlemen who raise black Angus-influenced cattle that meet the brand's specifications have the chance to earn more than ever before.

"In terms of dollars per hundredweight (cwt.), the highest premiums for those CAB carcasses were 80% higher in 2021 versus 2019," Dykstra says.

Choosing genetics that fit customers' needs is a form of untraditional risk management.

"I think quality is always a hedge," he adds. "When the supply of finished cattle was overabundant and packers were able to be

selective, they pursued the kind of carcasses that met their customers' demand."

Cow-calf producers work hard to ensure calves are ready for the next stage of production. To see these efforts pay off in dollars, it starts with who you know.

"First of all, this is a relationship business," Dykstra says. "The more buyers of feeder cattle that we know, the better off we'll be. It's a networking game, not just a game, but a sincere effort to build trust and relationships with the next sector of the production chain."

Once these connections are established, communication is key for buyers to realize the genetic potential of a group of calves. That can be accomplished with a feeder calf résumé that details why your calves are ready for the next stage of production.

This kind of résumé should

outline age range, weight, weaned status, health protocols, nutrition and genetics. Cow-calf producers or stocker operators may verify genetic claims or management practices by

enrolling groups of calves in process-verified programs (PVP) such as AngusLinkSM.

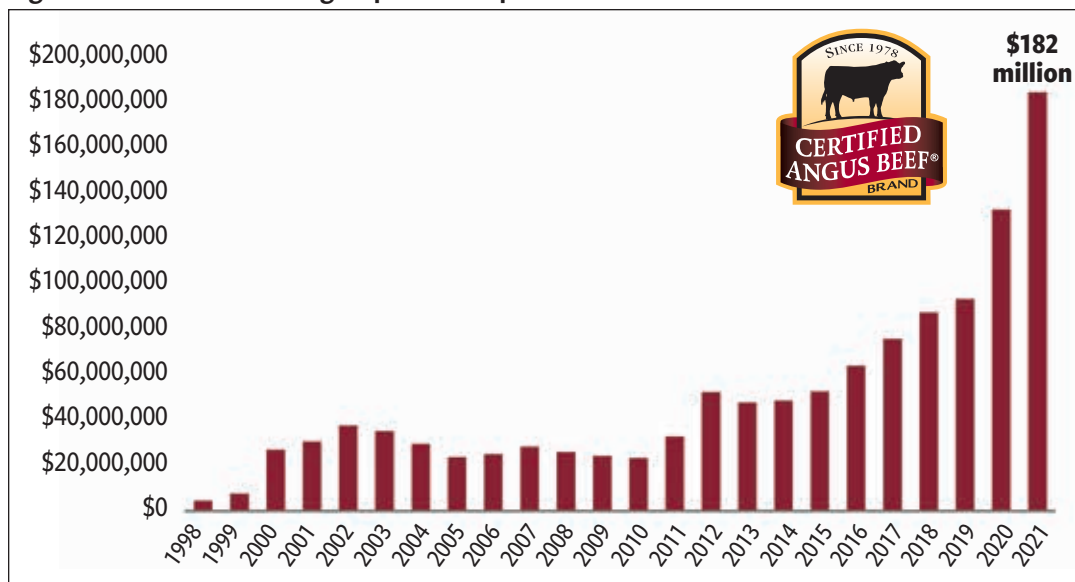
"If you're not ready to get involved with a PVP, a lot of this can be done on your own by describing genetics and management for the marketplace," Dykstra says. "So there are lots of ways to get the

information in the hands of potential buyers by thinking ahead of the sale day itself."

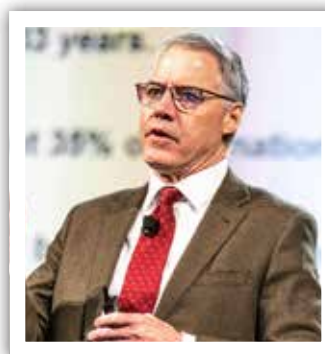
No overnight success

The movement to increase premium beef demand didn't happen overnight. It took nearly a decade from CAB's start in 1978 until the first carcasses were

Fig. 1: Annual CAB®-brand grid premiums paid



SOURCE: Certified Angus Beef.



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rewarded financially for meeting the brand's quality specifications. Since 1998, CAB has generated more than a cumulative \$1.1 billion in premiums paid back to cattlemen.

"One of the blessings that we have as Angus breeders is through CAB and its marketing team," says Jonathan Perry, Deer Valley Farm

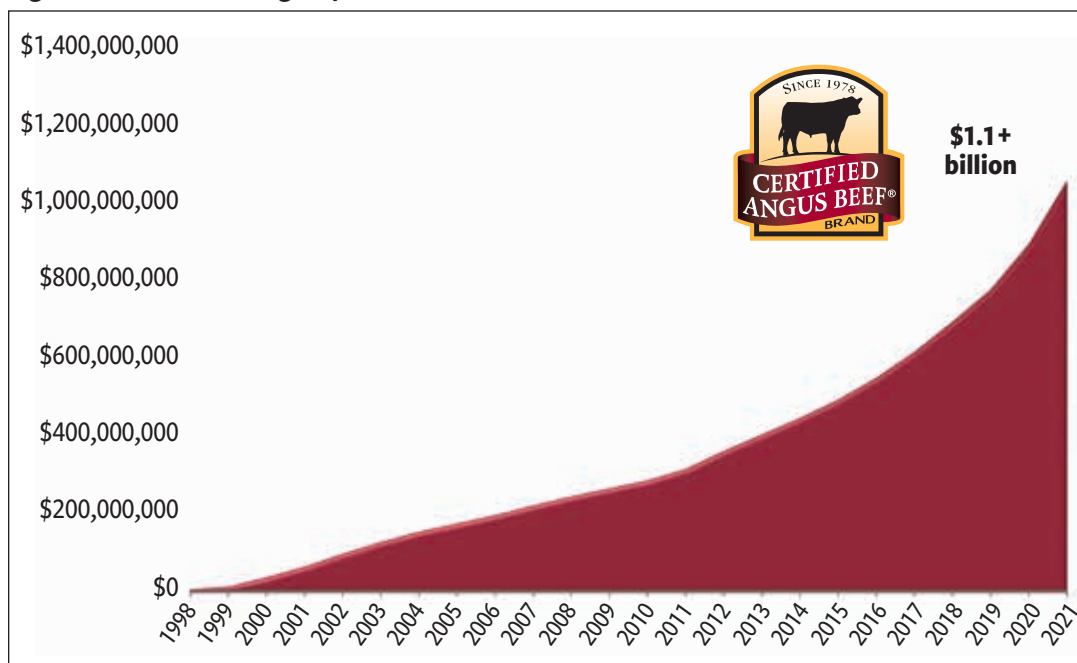
general manager and CAB Board chairman. "We have a built-in conduit to the consumer that gives us direction and gives us information that we wouldn't have access to otherwise as seedstock producers."

That shows in the CAB-to-Choice price spread, expressing the value CAB adds to an entire carcass. During the last two years, the top-end range for grid and formula premiums trended along the same line as the cutout (boxed-beef) prices, Dykstra says. The CAB-to-Choice cutout spread averaged \$17.76 per cwt. in 2021, up from \$10.39 in 2019.

Growing value and volume create a larger pool for cattlemen to dip into CAB grid premiums, the top end of those averaging \$92 per head last year, Dykstra says.

Tremendous progress in the quality arena doesn't mean cattlemen can lose sight of its importance.

Fig. 2: Cumulative CAB grid premiums



SOURCE: Certified Angus Beef.

"The need for quality genetics is as great as it's ever been," Perry says. "As the industry gets better as a whole, it's harder and harder for us to make improvements without really concentrated efforts."

The opportunity for added revenue remains great, reassuring those raising premium beef. But it doesn't hide how the past few years have presented a fair share of challenges.

"It's just this, plain and simple," Blach says. "We've had more cattle than we've had hooks."

Looking at current market dynamics, supply and harvest



"The need for quality genetics is as great as it's ever been," says Jonathan Perry, Deer Valley Farm general manager and CAB board chairman. "As the industry gets better as a whole, it's harder and harder for us to make improvements without really concentrated efforts."

capacity are balancing out again. "We've already got demand in our system, and we'll see that expressed in higher cattle prices," he says.

That points to market leverage and opportunity.

"There's a major lesson to be learned here," Blach says. "When

we have clear signals, producers respond."

Those signals seem to drive the market from gate to plate. With consumers willing to pay more for a great-tasting branded steak, packers are more willing to reward those who supply it. |



CAB's Paul Dykstra joined the *Angus at Work* podcast earlier this year to talk through these numbers. Follow this QR code to hear straight from him.

Editor's note: Morgan Boecker is a producer communications manager for Certified Angus Beef.