

Your Link to



by **CLINT WALENCIAK**, packing director, Certified Angus Beef LLC

Less than 16% CAB: What's going on here?

As the world's largest branded beef program, the *Certified Angus Beef*® (CAB®) brand has to overcome all the hurdles in the global market. You might think our biggest challenge is the lingering effect of bovine spongiform encephalopathy (BSE) on international markets. You might think it is the growing competition from other countries, brands and proteins. These factors, and their influences in the world economy, are all important.

But a near-term hurdle right here at home presents the biggest challenge today: We need more cattle to fill our supply lines.

We have seen more and more U.S. cattle "turning black," leaving no doubt as to the impact the brand has on the industry. But, that's a shallow indicator. During the last few years, market forces have provided what seem like disincentives to increasing the supply of CAB product. In most cases, it is still more profitable to hit the brand's lucrative target, but the market lives in the moment.

Total numbers of certified carcasses have increased, but CAB-acceptance rates — the number of black-hided cattle that meet all carcass specifications — continue to struggle. Seeing this in 2004, Certified Angus Beef LLC (CAB) set out to find answers:

- What influence does each of the eight carcass specifications have on CAB acceptance?
- What are the differences in carcass-trait distribution among Angus-type (A-stamped) carcasses that did and did not qualify for the CAB brand?

Methods

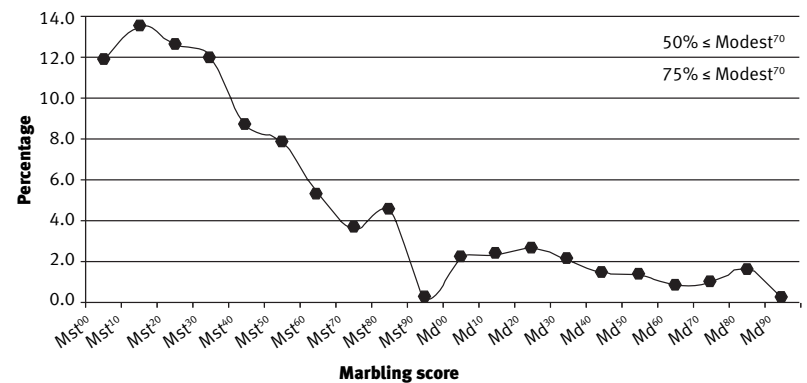
Data from representative samples were collected at 12 plants owned by the top four packing companies (Tyson, Cargill, Swift and National) in Colorado, Texas, Kansas and Nebraska. We sampled in December 2004 and March 2005 to account for seasonal fluctuation in grade and cattle type.

A total of 26,707 A-stamped carcasses were evaluated for carcass quality and yield characteristics, and for all other factors related to CAB carcass specification (internal hemorrhage, hump height, dark cutting, coarse marbling, maturity and muscling).

Results

Overall, we saw very little difference in acceptance rate between the two sampling dates, compared to the three-year average. In all cases, marbling was by far the top reason evaluated that carcasses didn't qualify for CAB. Roughly 68% of all "fall-out" carcasses failed due to insufficient marbling

Fig. 2: Marbling score distribution among CAB®-certified carcasses



alone. Another 17% of them lacked adequate marbling and also failed in at least one other CAB specification, mainly excessive yield grade. That adds up to 85% of the A-stamped carcasses having insufficient marbling (see Table 1 and Table 2).

By how much did the noncertified cattle miss the brand target? First, consider that the CAB-accepted cattle had an average marbling score of Modest⁵⁰ (midline of average Choice). The average marbling score of the noncertified population was Small²⁰ (lower one-third of low Choice). Of those 85% that lacked the marbling to qualify for CAB, 51% had Small marbling (low Choice), 47.2% had Slight marbling (Select), and 1.8% had Trace or Practically Devoid marbling (Standard/No-roll).

Projecting that on overall North American supplies, consider the impact if just one-tenth of those low-Choice carcasses had increased marbling and qualified. It would mean an additional 140 million pounds (lb.) of product could have been sold as the CAB brand to retail and restaurant operators.

Yield grade ramifications

Now let's look at U.S. Department of Agriculture (USDA) yield grade. Although 15.7% of sampled carcasses had a yield grade too high (4 or 5) to qualify for CAB, 6.1% missed the mark because of yield grade alone. Another 9.6% of

the noncertified carcasses had both excessive yield grade and another defect such as maturity or inadequate muscling.

Within the 15.7% with excessive yield grade, 88.5% were stamped Yield grade (YG) 4, the rest YG 5. Remember, yield grade is a combination of muscling (ribeye area) and non-marbling fat. Think about the effect on supply if we could change management on just half of the 6% of cattle that had everything else in line for CAB acceptance. Consider that 3% of 12 million black-hided cattle, at the current rate of carcass utilization, would net another 100 million lb. of CAB product.

Given the large effect that the marbling and yield grade specifications have on CAB acceptance, you may wonder if the remaining six specifications have any effect. They do. Deficiencies or defects in those were observed individually in 1.75% of the cattle. That may seem like a small number, but, again, when applied to all the A-stamped carcasses during the course of a year, that adds up to more than 210,000 carcasses.

You might say that some factors are outside of producer control. That's certainly true in the case of internal hemorrhages, but maturity accounts for roughly 70% of this group, or about

Table 1: Defect rates among noncertified carcasses

	% of rejected carcasses	
	Total	Solo defect
Inadequate marbling	85.48	68.17
Yield grade	15.71	6.08
Maturity	5.08	1.21
Capillary rupture	1.88	0.15
Dark cutter	1.93	0.25
Dairy-type muscling	1.06	0.10
Hump height	0.43	0.01
Coarse marbling	0.14	0.02

Fig. 1: Difference between actual and required ribeye area (REA) by hot carcass weight (HCW)

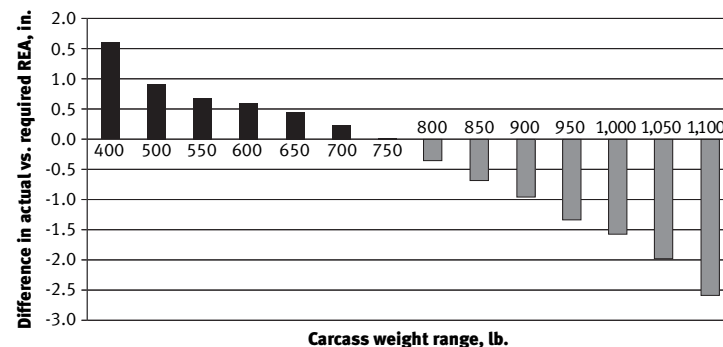


Table 2: Top 5 factors affecting acceptance rates

	% of rejected carcasses
Inadequate marbling	68.17
Marbling/Yield grade	7.91
Yield grade	6.08
Marbling/Maturity	2.69
Marbling/Capillary rupture	1.42

155,000 carcasses. A move toward feeding younger cattle would help.

General trends seen between the CAB and noncertified A-stamped carcasses held few surprises, given the parameters set up by CAB carcass specifications. In this study (see Table 3), CAB carcasses were heavier (810 lb. vs. 795 lb.), had slightly more external fat [0.55 vs. 0.53 inch (in.)], had smaller ribeyes [13.02 vs. 13.19 square in. (sq. in.)], and had a higher average calculated yield grade (3.29 vs. 3.13).

limiting factors — insufficient marbling and excessive yield grade. We must keep quality and yield grade characteristics in mind at every decision point in the chain, from conception to carcass. Genetic selection and management can give your cattle every opportunity to qualify for CAB and the typical \$40-per-head premium.



Table 3: Mean carcass value

	<u>A-stamped</u>	<u>Certified</u>	<u>Noncertified</u>
HCW, lb.	797	810	795
Backfat, in.	0.54	0.55	0.53
REA, sq. in.	13.17	13.02	13.19
REA difference, sq. in.	-0.19	-0.50	-0.14
REA per cwt., sq. in.	1.66	1.62	1.67
USDA yield grade	2.68	2.70	2.67
Calculated yield grade	3.15	3.29	3.13
Marbling score	Small ⁴⁰	Modest ⁵⁰	Small ²⁰

Summary

We must face the market facts. As the cattle cycle advances, there are three core ways to increase CAB supply:

- 1) Increase the total cattle processed through licensed plants;
- 2) Increase the percentage of Angus influence in that population; and
- 3) Increase the percentage of A-stamped carcasses that meet all eight carcass specifications.

A fourth way is some combination of the above, and that is the most likely scenario. Trends suggest total harvest at CAB-licensed plants will start to increase at a 3%-4% annual rate. As usual in recent years, the percentage of Angus-type cattle through those plants is increasing along a 2%-3% trend line. Those factors may account for an additional 500,000 head of potential CAB carcasses.

Acceptance rates, however, remained flat at 15.6% for 2005. That brings us back to the two main

CAB STAFF CONTACTS
 206 Riffel Rd., Wooster, OH 44691-8588
 phone: (330) 345-2333; fax: (330) 345-0808
www.certifiedangusbeef.com

Jim Riemann, president
 Brent Eichar, senior vice president
 Tracey Erickson, vice president
 John Stika, vice president of business development

SUPPLY DEVELOPMENT DIVISION
Kansas staff:
 CAB Program Satellite Office
 1107 Hylton Heights Rd., Manhattan, KS 66502; phone: (785) 539-0123; fax: (785) 539-2883
 Larry Corah, vice president
 Paul Dykstra, feedlot specialist
 Gary Fike, feedlot specialist
 Wendy Nichols, office and data manager
 Lance Zimmerman, industry information assistant

Ohio staff:
 Christy Johnson, marketing director
 Mark McCully, supply development director

INDUSTRY INFORMATION DIVISION
 16360 Victory Rd., Onaga, KS 66521; phone: (785) 889-4162; fax: (785) 889-4163
 Steve Suther, director

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