

Manage to Maximize Grading, Pricing

A heavier carcass does not always mean more profit.

by **BARB BAYLOR ANDERSON,**
field editor

The right genetics combined with

sound management can improve profitability when it comes time to market feedlot cattle, says Ohio State University ruminant nutritionist Francis Fluharty.

“Quality grades predict palatability, and palatability is determined by fat. It is the overall combination of traits that lead to eating satisfaction, taste and flavor,

tenderness, juiciness and mouth feel,” says Fluharty. “Prime grade is not based on days on feed. Quality grade is determined by marbling, and genetics affect the ability to marble. Research suggests the right marbling comes when animals are 167 to 236 days old and weigh 835 to 945 pounds (lb.)”

Fluharty says many animals that don’t grade USDA Choice at an advanced age probably would have graded Choice at a younger age with management and diet strategies that used a high-concentrate diet earlier in life. High levels of dietary vitamin A can reduce marbling by 30%.

In addition, beef gets darker as animals get older, which affects grade.

“Poor disposition and use of implants have a negative impact on quality grade, too,” he says. “Prior health history can

High-value beef may be best U.S. niche

U.S. beef producers may find the best future bang for their buck is to concentrate on producing high-value, top-quality meat for home and abroad. As part of a recent webinar series on minimizing feeding costs, Ohio State University ruminant nutritionist Francis Fluharty told producers that to know what they must produce, they must understand consumer demand.

“What is our role? The U.S. needs to be the high-value producer. We are not the biggest kid on the block, but we have the highest quality,” he says. “There will be 400 megacities by 2050, mostly in Asia, compared with two megacities in 1950. We are adding 51 million middle-class consumers per year, primarily in Asia, and they have an interest in high-quality beef.”

Per capita beef consumption currently is highest in Uruguay, followed by Argentina, Brazil and the United States. Top-value beef markets are Japan, Hong Kong, Canada, Mexico and South Korea.

“We only export about 25% of our middle-meat cuts. End meats are the rest of the volume, and consumers in these countries want fat and flavor,” he says. “Big packers allow for this export market to succeed and add hundreds of dollars to cattle prices because they are able to ship not only all of the demanded cuts, but also the byproducts worldwide.”

Yet, as demand rises, U.S. beef inventory is at its lowest level in 50 years. Fluharty says cow herds are shrinking in the Midwest, Southeast and Southwest and expanding in the

influence carcass quality. Sick cattle mean lower quality grades.”

Yield grades predict the cutability, or the amount of boneless, closely trimmed retail cuts that can be obtained from the carcass. Yield grade is determined by criteria that include subcutaneous fat thickness at the 12th rib; ribeye area; hot carcass weight; and kidney, pelvic and heart fat.

“Both quality and yield grade go into grid pricing, and more than 70% of carcasses are marketed on that basis. Grid pricing varies from plant to plant and day to day,” he says. “Plants look at a number of factors, like the Choice-Select spread and drop credit. Choice [Yield Grade (YG)] 3 is used as the base in grid pricing to determine premiums and discounts with various yield and quality grades.”

Fluharty says the value difference between a USDA Prime YG 1 and a USDA Select YG 5 can be as much as \$400, depending on the price and weight of the carcasses. He says YG 2s or lower YG 3s are the goal, and the main objective is to avoid YG 4 and 5 carcasses.

“Don’t chase premiums, but avoid

discounts,” he says. “If 50%-60% of your cattle grade Choice and are efficient, you are OK in some regions of the U.S. Other regions require 80% or more Choice cattle. Control the diet, days on feed and amount of fat on them. You also need to know the market, and use risk-management tools.”

A heavier carcass does not always mean more profit, especially if the cattle don’t have the genetics to perform, he adds. For

example, if a steer appears to gain \$60 in carcass value with more days on feed, count in yardage and feed costs. With \$136 more additional cost of gain, you end up with a \$76 loss of revenue. That is the loss from a YG 3 to a YG 4 and 1,210 lb. to 1,300 lb.

In the future, Fluharty predicts discounts will be greater for cattle that are too small [ribeyes less than 10 square inches (sq. in.)] or too large (ribeyes larger than 13

or 14 sq. in.) for the case and excessively fat. Use of growth promoters and feed additives may also negatively impact pricing.

“Know what affects the eating quality of your beef product before you use it,” Fluharty says.



Editor’s Note: A former National Junior Angus Board member, Barb Baylor Anderson is a freelancer from Edwardsville, Ill.

Upper Plains and Northwest. As U.S. inventory declines, the Brazilian cattle herd is growing. Brazil is the second-largest producer with 190 million head, compared with 92 million head in the United States.

“Brazil has several cow herds with more than 20,000 head. They are looking at better fertility and are adding Angus and other English breeds into their mix,” says Fluharty. “Where row crops occur, livestock production follows in Brazil. Both will increase over the next decade.”

While domestic consumers will continue to buy beef for flavor, Fluharty says U.S. consumers are very price-conscious.

“Consumers expect palatability and tenderness, and that drives consumer satisfaction. In addition, the beef industry has expanded to offer all kinds of choices, from natural to all grass-fed and more,” he says. “We better listen to our consumers because some element of health and wellness is important to three-quarters of American shoppers.”

Fluharty notes that U.S. families with a female head of household 50 years old or older are most likely to purchase branded meat products. Households in the West are more likely to purchase branded meat than in the East.

“Consumers are beginning to look for 100% traceability. Niche markets exist because we have a safe beef supply, good feeding and management technologies and a packing system that makes money selling by-products overseas,” he says.