More Prime

The industry reacts

"It's not like they can just feed their cattle a couple weeks longer and make them grade Prime," he says. Known genetic potential to gain and grade is a prerequisite for any plans to answer that call and collect the rewards.

Robb says cattle feeders have substantially changed management and marketing in the last five years as carcass weights increased through last fall, shifted gears and recovered since last fall.

"Having beta-agonists in the system moved the market to more grid and formula selling with less negotiation," he says, "but holding onto the cattle longer this winter and spring paid off for feeders. Packers had to come chasing them, and feeders reacted to that. It's a complicated, biological system, but lower cost of gains, adjusting implant programs and beta-agonists have all entered in."

Walter says tight supplies mean volatile prices and greater risk will continue as well.

"People talk about commodity prices and ground beef, but quality is driving the market, and we might see quality premiums exaggerated this year," he says. "If you maintain 4% Prime, that's a smaller number of carcasses, and demand is based on pounds."

Breakeven cattle-feeding strategies are further complicated with $2,000 on the line for each animal, and most of that paid for the calf.

Robb sees more of a lid on the price of beef and finished cattle than on the price of calves in the near term, with increasing "differentiation by ability to grade."

"Buyers for the big feedyards were in Montana by January this year, buying unborn calves for fall delivery. Those are all calves with a known history for performance and grade," Robb says.

Chewing the fat over an ideal end point

If you give most cattle more time and feed, they will pay you back in profit, especially when the replacements for those cattle will cost more than the last turn.

Traditionally, cattle feeders have estimated external fat thickness over the 12th rib as one measure of finish, and although some research and carcass contests still ship cattle to the packer as soon as 0.3 inches (in.), the norm has reached nearly twice that. Logic supports the trend.

"Finishing most cattle to anything less than a half inch of backfat is leaving money on the table," says Certified Angus Beef LLC (CAB) vice president Larry Corah. "Underfinishing is particularly inefficient when cattle have the potential to achieve premium levels of marbling."

Spanning decades, Corah says, "consist" data from CAB-licensed packers shows a typical pen-average fat thickness of 0.52-0.54 in. The range in groups is less than a quarter inch to more than an inch.

"Now, with cost of gain dipping below 90¢ per hundredweight (cwt.) on good cattle in certain regions of the feeding belt, and cattle selling for $1.40 to $1.50 or wherever they settle, cattle feeders are rethinking target weights and the fat-cover end point," he says.

Carcasses at or below 0.4 in. of fat cover tend toward lower marbling and quality grades (see Table 1). Evidence also suggests more cattle today can be fed to 0.6 in. of fat cover before Yield Grade (YG) 4 discounts begin overtaking quality premiums. Earlier CAB surveys found little problem at 0.59, but the other side of 0.6 starts to build up YG 4s.

"Quality grade improves dramatically as weight and fat cover increase beyond last century's targets, according to the cattle currently going through our packinghouses," Corah says. "The share of Choice and Prime increased 10.9 percentage points and *Certified Angus Beef*® (CAB®) brand acceptance rates moved up 7.5 points when fat cover increased from an average of 0.4 to 0.6 inches."

He notes many feedlots have set a YG 3 target and allow more YG 4 discounts because that optimizes profit.

"One leading packer says within its database each increase in YG score adds 20 to 25 pounds of carcass weight while increasing marbling score 30 to 40 points," Corah says. For example, Choice went from 65% at YG 2 to 92% at YG 4, on average. The ideal for profit was a YG 3, but a YG 4 brought in more than $100 per head above a YG 2 after all discounts and premiums.

"Like all things, some moderation is needed. Heavyweight discounts add to the YG 4 dock to keep a practical lid on the trend, and those who market to consumers certainly do not want larger cuts," he says.

Partners weigh in

A survey of CAB partner feedlots confirms the prevalence of a YG 3 target, but as Karl Hess, Lancaster, Pa., puts it, "If we don't have a YG 4, we didn't feed long enough, and if we don't have a Select, we didn't sort hard enough."

Geoff Shinn, Performance Blenders, Jackson, Mo., points out, "Fat cover and marbling are not directly correlated. You can have externally fat cattle that won't marble. Knowing their genetic potential is the most important, then days on feed and, finally, the energy and nutrient density of the ration."

Dale Moore, Cattleman's Choice Feedyard, Gage, Okla., agrees backfat alone means little.

"A truly finished animal is going to grade what he is capable of at the time of harvest," he says. "We can alter that by longer feeding for a little more marbling or shorter to decrease YG issues, but if he is finished, that backfat will probably be 0.5 to 0.6."

Sam Hands, Triangle H, Garden City, Kan., says dressing percentage is becoming a more important factor in feeding to an end point packers want. "It can be a trap if you get too many YG 4s on a load with great dressed yield. With the shortage of numbers, dressing percent will continue as a driver."

Allan Sents, McPherson County Feeders, Marquette, Kan., is among those who do consider fat thickness a primary indicator.

"That range of 0.5-0.6 is our target, and we pretty routinely hit an average between 0.5 and 0.55 inches — that's probably up 0.05 in the last five years with heavier carcasses and more YG 4s allowed," he says. Cattle may also be fed a little longer going into favorable weather.

Several feedlots rely on ultrasound, which includes backfat in the equation. As one feeder points out, grid sellers may be called "price takers," but it puts much more weight on knowing genetic potential of cattle to earn premiums.

Terry Beller, a Lindsey, Neb., cattle feeder, sorts visually and sells 70% on grids. He expects 100% Choice or better, even if outliers may fall short. He notes, "My returns usually show the percent Prime and YG 4 running hand in hand."

Fig. 1: Carcass and grade characteristics as 12th-rib fat varies

	Compositional end point: backfat depth at 12th rib, in.								
	0.1	**0.2**	**0.3**	**0.4**	**0.5**	**0.6**	**0.7**	**0.8**	**0.9**
Marbling score	373	391	411	430	451	459	471	479	486
Choice and Prime, %	31.9	38.9	50.9	60.7	69.4	71.6	76.7	76.8	81.1
CAB® Accept. Rate, %	6.1	8.5	11.7	17.4	22.1	24.9	27.9	30.9	32.6
Yield Grade, % 4s and 5s	0.1	0.0	0.3	0.7	3.3	14.3	35.8	64.3	85.8
		24.6%			54.6%			20.8%	
% Choice		43.4%			64.2%			72.5%	
% Premium Choice and Prime		12.2%			25.2%			36.7%	

Source: CAB Consist Study.