

First in a series:

The stable grid target

by Steve Suther, director of industry information

If you retain ownership of your calves or those of your bull customers through the feedlot, you may be capitalizing on known genetics that provide a critical edge. You may be collecting performance and carcass data to give you an edge in developing the kind of bulls your customers need.

Before you do any of that, you should become familiar with the targets that have been established by packers and branded beef programs, such as the Certified Angus Beef (CAB) Program, and the relative value of those targets. If you aspire to become a full-service seedstock supplier, become familiar with your customers' base genetics, management and marketing plans.

"Commercial genetics and management can be just about anything," says Daryl Tatum, Colorado State University (CSU) beef scientist. "That's why you need to define targets for the major traits you're trying to control, such as carcass weight, quality and yield grades, and what those are worth on a grid."

The U.S. Department of Agriculture (USDA) publishes a weekly composite grid, "National Carcass Premiums and Discounts for Slaughter Steers and Heifers" (see table), available by mail or on the Internet at www.ams.usda.gov/mnocs/mn_reports/nw_1s195.txt.

"Even if you don't sell on a grid, you're going to try to avoid heavies, lights and YG (yield grade) 4s, and have a fairly high percentage of Choice, very few Standards," Tatum says. The trained eye of a cash live-cattle buyer will discriminate, and inefficient feeding closeouts will discourage missing the whole dartboard.

The average grid structure of premiums and discounts in February showed a seasonally moderate discount for USDA Select beef and a similarly moderate premium for all "certified program" cattle, a category that includes *Certified Angus Beef*TM product. The prices vary weekly and from plant to plant.

■ What's the target?

So how does anyone know where to aim? Producers often ask that question as though it has an obvious answer grounded in futurity, but the overall target has not changed much in the 20-year history of the CAB Program. Tim Schiefelbein, value beef procurement manager for Monfort, says, "We like to say it's a 70-70-0 target: 70% Choice or higher, 70% [YG] 1s and 2s and zero 'out' cattle."

By "out" he means those with carcasses falling outside the normal minimum standards of Select, YG 3, 550-950 lb. and no dark cutters. Schiefelbein says the 70-70 rule is actually more like a "sum 140" rule, so that you hit the value target if your cattle

grade 90% Choice and have 50% YG 1s and 2s, or they grade 55% Choice and have 85% YG 1s and 2s.

Last year Monfort's Greeley, Colo., plant harvested 199,421 "formula" cattle, a term Schiefelbein uses for any cattle sold on a value-based grid. Of those cattle (all colors of hide), 8.82% were Prime, 65.38% were Choice and 13.22% were accepted as *Certified Angus Beef* carcasses. About half of the cattle were black-hided, he notes.

"That many cattle, 74.2% Choice or better for the year — that's a record that will be hard to beat," Schiefelbein says. Of course, yield grades have slipped a little, because gains in quality grade tend to come at the expense of yield.

Some cattle can do it all, and those are the ones to find, he says. One pen of cattle graded 90% Choice or better and 90% YG 1s and 2s in January, and another pen went 62% Prime with 50% YG 1s and 2s; the rest were 3s.

There are always some "out" cattle. "One or two head will fall out in every lot, but zero is still an important element of the ideal target," Schiefelbein says. A feedyard with the highest average for hitting Monfort's target has an overall mark of 72% Choice or better, 73% YG 1s and 2s, and 2.8% outs. Schiefelbein says that may be as good as it gets.

■ It is a steady target

"The target doesn't change dramatically," Tatum says. "It has been particularly stable over the last four to five years, and I don't know that it will change much in the next two or three, but the market can influence it." Recent fine-tuning has come from a "growing demand for upper quality, particularly in the middle meats," Tatum notes, and the growth of closely trimmed product may have increased the pressure to produce more YG 1s and 2s than five years ago.

Schiefelbein agrees that demand for quality has increased within the 70-70-0 target, and the grid has had to bid higher premiums to capture more of that kind of beef. Despite the advance of close trim from 30% of the product mix to more than 75% at Monfort in the last five years, premiums in that area have not advanced, he says. That just means those premiums are already at about the right level, he concludes.

It also may have to do with momentum in overall beef cattle genetics. Tatum notes, "The quality grade mix of all cattle has been going down, and the demand for Prime and the upper two-thirds of Choice has been going up."

Schiefelbein explains, "We haven't changed our grid much to reflect any growing importance of the lean factor. You don't want to overemphasize it, or you'll get leaner cattle; and then, guess what? There goes your program cattle. Leanness is really important, and Angus producers sometimes forget that, but it will soon become a given in the grid target."

The industry's 70-70-0 target remains. Schiefelbein says it's practically chiseled in stone. "I tell producers this is where it has always been and probably always will be. If you hit 70% Choice or better, it gives you enough Prime and *Certified Angus Beef* product; if you hit 70% 1s and 2s, you get enough for your close-trim programs."

Monfort's grids are similar to the USDA composite illustration, and they change

primarily in response to changes in the price spreads between Choice and Select and between *Certified Angus Beef* product and Choice. "Last fall there were weeks when the *Certified Angus Beef* product premium was \$8/hundredweight (cwt.) over the start [base] price for all other cattle sold those weeks," says Schiefelbein. "In the first week of February it was \$3, and it varies week to week."

Obviously the market goes up and down and there are adjustments in grid component prices to reflect the market, but that doesn't mean producers are faced with a moving target. "There is no time of the year that 70-70 is not at a premium to average cattle. Sometimes it may be worth \$30 per head over, and sometimes it may be \$10 or \$12 over, but it will always be a premium to the market," Schiefelbein promises.

■ Will the window narrow?

There has been industry speculation that the carcass-weight window may narrow from 550-950 lb. to 600-800 lb. Tatum says that stalemate will continue, and the target is not likely to change. "For some segments, including some producers, heavier carcasses work better," he says, "but the hotel-restaurant-institution trade doesn't like heavy carcasses, nor do most retailers."

Packers would like a narrower window, but, says Schiefelbein, "Producers are so used to this 550- to 950-lb. window, and if they'd just hit this one, I'd be pleased." What about an inner bull's-eye with a 50¢ premium for ideal weights? "It could be done, but the problem is, where does the money come from?"

"It's a net-sum-zero game, so to pay that premium in the middle, you have to take away from somewhere else," he says. "We already have huge discounts, but premiums as big as you can get in the industry. By doing that, we would have to have even bigger discounts, to offset bigger premiums."

"You would get more cattle there with the incentive," Schiefelbein allows, "but most of the people who sell me cattle through the grid don't want it that tight, because they're still dealing with such a diverse set of genetics out there."

The genetics and management expertise are out there right now to achieve 70-70, and those two factors are probably of equal importance in reaching the goal. "When we look at feedyards that manage real hard, we can tell a lot of it comes from the feeding. But when you look at a program like Monfort Integrated Genetics, you can tell that genetics is equally important. Then when you look at the premium differences between two different feeders, different

Table 1. National carcass premiums and discounts for slaughter steers and heifers for the week of Feb. 1, 1999.

Value adjustments				
Quality	Range		Simple avg.	Change from previous week
Prime	3.00	10.00	5.67	0.00
Choice	0.00	0.00	0.00	0.00
Select	-3.00	-6.00	-4.31	+1.19
Standard	-5.25	-20.00	-13.52	+1.19
Cert. programs:				
Avg. Choice+	0.00	3.50	1.25	0.00
Bullock/stag	-20.00	-35.00	-25.20	0.00
Hardbone	-16.00	-30.00	-21.83	0.00
Dark cutter	-20.00	-35.00	-27.33	0.00
Cutability*				
Yield grade, fat (inches)				
1.0-2.0, <0.1	0.00	3.00	1.67	0.00
2.0-2.5, <0.2	0.00	2.00	0.83	0.00
2.5-3.0, <0.4	0.00	2.00	0.83	0.00
3.0-3.5, <0.6	0.00	-1.00	-0.17	0.00
3.5-4.0, <0.8	0.00	-1.00	-0.33	0.00
4.0-5.0, <1.2	-12.00	-20.00	-15.50	-0.17
5.0/up, >1.2	-17.00	-25.00	-20.50	-0.17
Weight, lb.				
400-500	-14.00	-30.00	-20.67	0.00
500-550	-12.00	-25.00	-17.33	0.00
550-900	0.00	-0.00	0.00	0.00
900-950	0.00	-0.00	0.00	0.00
950-1,000	-10.00	-25.00	-16.33	-0.17
More than 1,000	-10.00	-30.00	-22.17	-0.17

Based on individual packers' quality, cutability, and weight-buying programs. Values reflect adjustments to base prices, \$/cwt., on a carcass basis.

*If yield grades are not available, yield differentials may be based on fat depth at the 12th rib using a constant of average ribeye area and muscling for carcass weight and kidney, pelvic and heart fat (KPH). Superior or inferior muscling may adjust lean yield. Source: USDA Market News, Des Moines, Iowa; (515) 284-4460; www.ams.usda.gov/mnocs/mn_reports/nw_ls195.txt.

management of the same genetics, you can tell it's about 50/50."

That means poor management can derail good genetics, but even the best management "can't ultrasound-sort garbage and get quality," Schiefelbein says. "Of course the American Angus Association and the CAB Program have an advantage with the carcass EPDs (expected progeny differences).

"With other breeds, you look at that

target and wonder how to get there. There are no tools other than management, which will get you 50% of the way there. You put them both together, and that's where the big rewards come," Schiefelbein says, noting that the CAB Program's licensed feedlots have the potential to do just that. "Get the right cattle in the right hands, and you'll really make them shine."

