

\$92 million Reasons to Aim High

CAB grid premium progress and producer responsibility.

by Steve Suther, Certified Angus Beef LLC

Nobody can say exactly when the *Certified Angus Beef*® (CAB®) brand reached the tipping point. It could have been in the mid-1990s when competing packers started rewarding brand qualifiers. It could have been in 1999 when a feedyard licensing program blazed a 14-year trail of cooperating to hit the target. Or when annual grid premiums tripled the next year to exceed \$26 million.



The historic total now accumulates at nearly \$8 million per month (Figure 2), on the way to \$1 billion.

“That \$92 million last year and the near-billion dollars over time was generated entirely from the world market and paid to farmers and ranchers because they earned it with planning and focus,” Stika says.

Paul Dykstra, beef cattle specialist for the brand since early on that

premium path, says it took time to reach the current waves of supply and reward.

“When scant few cattle were certified in decades past, the premiums didn’t get passed around much,” he explains. “In recent years, those CAB dollars and some for Choice and now Prime have a lot more people taking the bit in their teeth and factoring premium quality into their business plans.”

He recounts many ranch visits over the last decade that concluded with

It could have been the bulletproof sales performance in the 2008-09 Great Recession, while Angus marbling genetics were lifting brand acceptance through its 30-year ceiling of 18% on a trajectory to double that now.

“Each milestone is a critical step,” says CAB President John Stika. “But each one only led us to something even better for our thousands of partners and millions of fans around the world.”

High reward

Take those grid, formula and contract marketing premiums licensed packers have been paying cattlemen for each qualified animal harvested (see Figure 1). Although significant across the years, this is the first time for six consecutive years of greater rewards paid.

Figure 1: Annual CAB® Brand Grid Dollars Paid

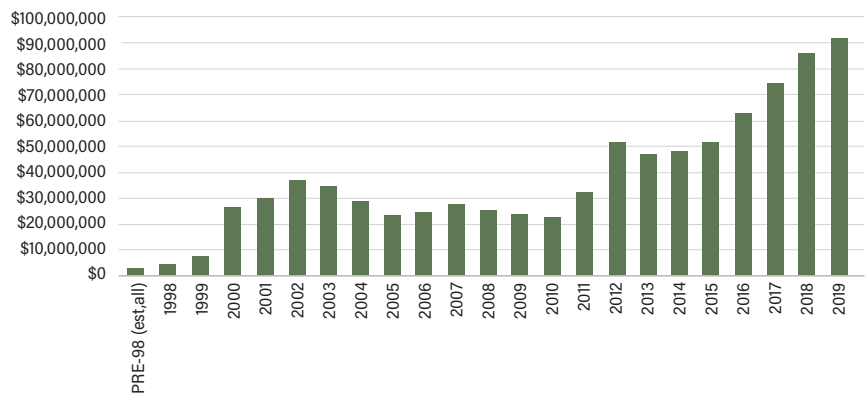
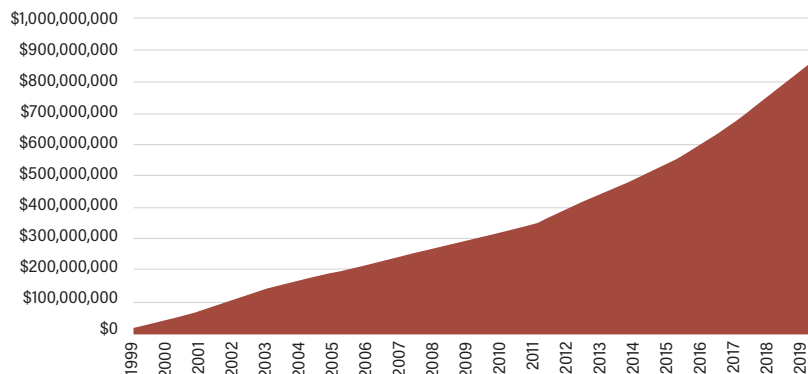


Figure 2: Cumulative CAB® Brand Grid Premiums



Over the decades through 2019, grid premiums paid divided by all 73 million CAB-accepted cattle exceed \$13.60/head, and higher in recent years. More than half of all CAB-accepted cattle sold and more than half of all cumulative grid premiums for CAB (\$462 million) were paid in the last seven years.

producers resolved to get in on those increasing rewards.

“Several have started partnering with feedyards on retained steer ownership and developing more of their heifer mates to sell, backed by sibling genomic and carcass data,” Dykstra says. “New enterprises provide marketing flexibility and more options since the cattle are known to be worth more.”

CAB Board Chairman John Grimes, Hillsboro, Ohio, graduated high school in 1979, near to the brand in time and place. Ohio State University classmates included future CAB staff, and one professor was the meat scientist who wrote the specifications.

“I’ve been around it all my life, so I know how much work it took to get the brand launched,” Grimes says. “But then it was like the rocket ship

of branded beef that sells more than a billion pounds a year with plans for 2 billion. Foreign markets will need to play a larger role in that, but it can happen.”

Angus all the way

That takes in the production side, lately proving what it can do. As brand sales increased 45% in the last six years, CAB grid premiums increased at more than twice that rate. In response, Grimes points to the rise in cattle qualifying for CAB and its Prime brand extension.

“The commercial sector got the message, about the time people were rebuilding herds after the drought,” he says. “There are rewards for producing premium quality beef.”

Grimes recently retired from a 33-year career in extension to devote full

time to the family’s Maplecrest Farm seedstock operation.

“We want to be open-minded on all the ways to improve herd genetics, but there is no other breed that can do as many things well as Angus,” he says. “Otherwise, the other breeds wouldn’t universally go to Angus for their hybrids.”

Acknowledging the role of better nutrition, health and management in dramatic quality grade improvement, Grimes still concludes the biggest role is better genetics, “and Angus is the No. 1 source of marbling.”

Regardless of the anti-marbling stories, no matter how often disproven by research, Grimes knows from experience that aiming for premium quality doesn’t hurt a thing, including show-ring type and appearance.

Continued on page 76



“I like to judge cattle,” he says. “I know what muscling looks like, but I’m still not sure I know what marbling looks like. I can tell you though, the ones with some of the highest marbling genetics are the front-pasture kind.”

They are also some of the most profitable from ranch to feedyard and packer to retail or restaurant, Dykstra says.

But many commercial producers don’t add marbling because their long-time bull supplier and friend doesn’t offer bulls near breed average. Customers can either believe the folk tales and keep it friendly, or believe the science and shop around.

Modern premiums

That didn’t matter so much 20 years ago, but Dykstra says it can mean a difference of \$100 per head with the growing value and volume today. More than that is possible with careful planning, selection and management aimed at increasing the share of Prime grades.

“Selling Angus cattle on a grid is simpler than many people think — a lot less tricky than weather and feedlot health for sure,” he says. “Just find a feedyard that will sort them at least a little bit and get the cattle sold on time. With that, it would be difficult to lose money on a grid with today’s Angus genetics.”

But feeding or partnering with a feedyard represents the unknown as much as shopping for a bull supplier who includes attention to carcass merit. Many have taken steps in the right direction, but many have not.

“We still have a long way to go as an industry, and I’m surprised that

we’ve made the progress we have,” Dykstra says. “Feedyards and their buyers keep looking for calf crops without any knowledge or history of grade, but most of that is still just luck.”

Grimes says it’s a matter of producers at every level taking responsibility.

“We’re never going to be as efficient as chicken or even pork, so we have to make sure we’re consistently better,” he says. “Whatever we use in natural resources, we have to make sure it’s worth it to the consumer. That’s sustainability.”

It really starts with Angus seedstock producers making sure to advance marbling beyond average, Grimes says.

“With the great and growing demand for high-quality beef,” he says, “it’s just our job to raise the bulls for our commercial customers so they can supply the feedyards with the cattle they need for the market.”

Commercial producers need to document what they have, from genetics to management, and tell the agent or interested buyers.

Grimes noted the average Ohio herd has only 20 cows. Many of his customers have no more than 50.

“If they can’t produce semitrailer loads, maybe it’s my job to work with them jointly in marketing,” he says. “Help them connect with buyers and stand behind their calves with them. I think there has to be more of that.”

To infinity and beyond

CAB grid premiums will soon amount to more than \$100 million per year, the effect multiplied throughout the various segments more than twice that, Stika says.

“These rewards flow from the vision the brand was founded on

41 years ago: The consumer holds the only sustainable source of revenue all cattlemen depend on,” he says.

That’s a great opportunity and

no less a responsibility for every producer.

“To access consumer dollars, we must provide the quality they value as much or more than the meatcase or menu price — beef that tastes great aligned with what consumers want. And we have to do that consistently to keep earning their trust,” Stika says.

The decades of growing demand for the brand say a growing number of Angus producers are living up to the terms of that proposition.

“We’re winning with consumers more than ever, and last year’s \$92 million in premiums paid is one tangible reward,” he says. “I don’t see any reason we should expect those rewards to diminish, as long as we continue to meet the expanding demands of consumers as a brand and as an industry.” **AJ**

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