

\$3 Million Per Week Say Marbling Matters

Certified Angus Beef premiums reach record \$182 million annually.

by Morgan Boecker, Certified Angus Beef

Saturation in the beef market, too much quality — many suggested we'd be there by now. Some say we already are, but the market doesn't seem to think so.

A biennial survey of the four largest packers showed a dramatic increase in market rewards for the *Certified Angus Beef*® (CAB®) brand. Annual grid, formula and contract premiums paid on CAB carcasses in 2021 totaled \$182 million, up from the 2019 record of \$92 million. That's \$3.4 million a week going to producers hitting the CAB target.

Recent years of once-in-a-lifetime events spurred a higher volume of certified carcasses and increased boxed beef prices that helped drive

CAB premiums to nearly double those paid in 2019. That signals very strong demand, says Paul Dykstra, CAB director of supply management and analysis.

“When the supply of finished cattle was overabundant and packers were able to be selective, they pursued the kind of carcasses that met their customers' demand,”

Dykstra says. That fact that

demand has outpaced supply, even as supplies of CAB are at an all-time high sends a message all the way back to breeders, says Jonathan Perry, Deer Valley Farm general manager and CAB board chairman.

“It's a never-ending reminder to

seedstock producers that while we think we are where we need to be from a carcass standpoint, from a genetic standpoint, we've got to work that much harder to continue to improve and gain the next tier that we're gonna hopefully reach,” he says. “The marketplace will tell you that we've still got room to improve.”

Average genetics won't be enough, nor will single-trait selection, he says. Marbling focus must be included in tandem with maternal and other economically important characteristics.

Earning potential

Cattlemen who raise black Angus-influenced cattle that meet the brand's specifications have the chance to earn more than ever.

“In terms of dollars per hundredweight, the highest premiums for those CAB carcasses were 80% higher in 2021 versus 2019,” Dykstra says.

The top reason cattle don't qualify for the brand has always been



inadequate marbling. Individually, carcass quality needs to surpass the national quality average for premium access, because those averages inch higher each year.

“It’s not good enough just to say, ‘We reach 100% Choice in our Angus calf crop,’ even though that’s over the national average,” Dykstra says. “The real gems are cattle that can hit at least 50% to 60% CAB with 20% Prime or better to get into the best premiums.”

Such goals are a far cry from the 1990s, when dismal beef demand dealt a staggering blow to an industry generating poor quality grades in fed cattle.

“We had a lot of people walk away from our product in the ’80s and



“The real gems are cattle that can hit at least 50% to 60% CAB with 20% Prime or better to get into the best premiums.”

— Paul Dykstra, CAB director of supply management and analysis

’90s, and quality was a big reason. Our product wasn’t very consistent,” CattleFax CEO Randy Blach notes.

The highly marbled, branded product available today is the aggregate result of countless producers meeting consumer expectations for taste, thus pushing demand the highest in 33 years, Blach says.

It’s also a testament to CAB’s pull-through demand model and the work people do every day to sell the brand

to more than 19,000 licensed partners in 54 countries around the world.

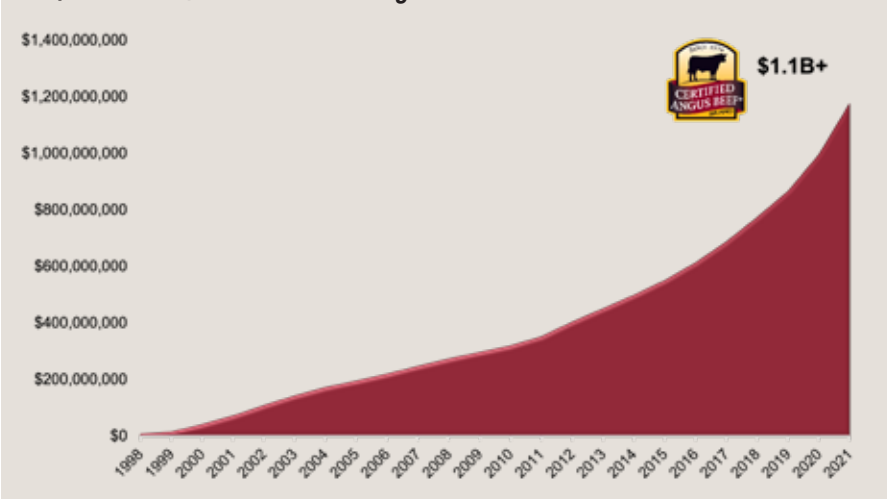
Decades in the making

The movement to satisfy beef eaters didn’t happen overnight. It took nearly a decade from CAB’s start in 1978 until the first carcasses were rewarded financially for meeting the brand’s quality specifications. Since 1998, CAB has generated more than a cumulative \$1.1 billion in premiums paid back to cattlemen.

Figure 1: Annual CAB Grid Dollars Graph: Each week, packers pay more than \$3.4 million in CAB grid premiums to cattlemen or \$182 million total in 2021.



Figure 2: Cumulative CAB Premiums Graph: It took nearly a decade from CAB’s inception until cattlemen were paid for raising high-quality carcasses. As of 2021, more than \$1.1 billion has been generated for CAB carcasses.



Continued on page 70

“One of the blessings that we have as Angus breeders is through CAB and its marketing team,” Perry says. “We have a built-in conduit to the consumer that gives us direction and gives us information that we wouldn’t have access to otherwise as seedstock producers.”

That shows in the CAB-to-Choice price spread, expressing the value CAB adds to an entire carcass. During the last two years, the top-end range for grid and formula premiums trended along the same line as the cutout (boxed beef) prices, Dykstra says. The CAB-to-Choice cutout spread averaged \$17.76 per hundredweight in 2021, up from \$10.39 in 2019.

Growing value and volume create a larger pool for cattlemen to dip into CAB grid premiums, the top end of those averaging \$92 per head last year, Dykstra says.

Tremendous progress in the quality arena doesn’t mean cattlemen can lose sight of its importance.

“As the industry gets better as a whole, it’s harder and harder for us to make improvements without really concentrated efforts,” Perry says.

The opportunity for added revenue remains great, reassuring to those raising premium beef. Still, it doesn’t hide how the past few years have presented a fair share of challenges.

“It’s just this, plain and simple,” Blach says. “We’ve had more cattle than we’ve had hooks.”

Looking at current market dynamics, supply and harvest capacity are balancing out again.

“We’ve already got demand in our system and we’ll see that expressed in higher cattle prices,” he says.

That points to market leverage and opportunity.



“There’s a major lesson to be learned here,” Blach says. “When we have clear signals, producers respond.”

Those signals seem to drive the market from gate to plate. With consumers willing to pay more for a great-tasting branded steak, packers are more willing to reward those who supply it. ^A

“The highly marbled, branded product available today is the aggregate result of countless producers meeting consumer expectations for taste, pushing demand to reach a 33-year high.” — Randy Blach, CattleFax CEO
