Time for Prime

Part 1: Prime is both profitable and possible.

*by **Miranda Reiman,** Certified Angus Beef LLC*

It's easy to say Prime-grading beef is "just a happy accident" if you don't produce it.

Cattlemen like Gerry Shinn of Jackson, Mo.; Berry Bortz of Preston, Kan.; or Troy Hadrick of Faulkton, S.D., wouldn't call it that.

"I told people from the very start that we need Prime, Yield Grade (YG) 3s," says Shinn, who commingles fed cattle to help small Missouri producers market load lots.

A win-win

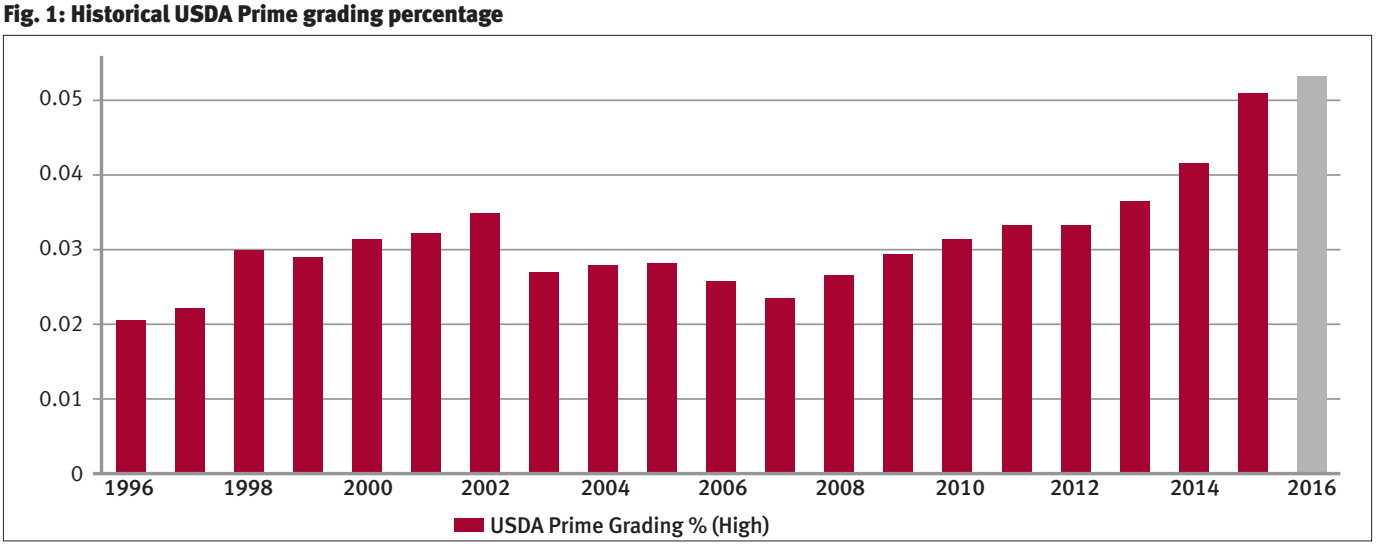
The very start was almost two decades ago through his family's Performance Blenders feed service company, and just this year Shinn cited some loads reaching up to 65% Prime.

"It's the Prime premium that is driving our ability to market cattle competitively 700 miles away," he says, noting they're sold on the U.S. Premium Beef (USPB) grid. "Our premium per head more than pays for transportation, the carcass data, us doing the records and putting any eID (electronic identification) tags in them — it more than covers all that on average.

"It is a win-win for the producer, because I hate to think of how many breeders in America, in any breed, don't have a clue about what their bulls sire," Shinn says. Plus, they don't get the dock for selling small groups at the sale barn.

As live cattle prices drop, getting more for each animal is critically important, says

Fig. 1: Historical USDA Prime grading percentage



Source: Urner Barry.

Steve Williams, head of procurement for JBS-USA.

"Especially when commodity cattle are breaking even, the premium cattle and the revenue they get are the difference in making money or losing money," he says.

That's exactly what Hadrick found in retaining ownership of his calves in 2016. The steer harvest went 80% *Certified Angus Beef*® (CAB®) brand and Prime, nearly 20% of the latter, adding more than $75 per head in premiums across the whole pen.

"They wouldn't have made any money other than the grid premiums," he says. "It really doesn't take much more effort to go CAB and Prime than it does to only have ones that don't, and in the end, we get paid more for it."

Shinn was an early adopter, but he certainly represents the mentality of Hadrick and others who focus on the highest quality grade as an end target.

"Prime cattle were almost outliers that you couldn't predict, but the data we have and the progress we've made on genetics and understanding marbling deposition today has really proven that's not true," says Mark McCully, vice president of production for Certified Angus Beef LLC (CAB). "We can predict these levels at pretty high accuracy, and the idea of getting 30% or 50% Prime is very achievable."

Genetics play a role

Nationwide trends support that. In 1995, barely more than 2% of all U.S. fed cattle reached the "slightly abundant" or greater marbling designation and earned the Prime stamp (see Fig. 1). In 2016, that reached the highest point in modern history at 5.60%, and the first two months of 2017 averaged 6.26% Prime.

"Genetics would be the most important thing and then environment goes on top. If genetics are the building blocks, the environment would be the next step," Williams says.

Angus influence is on the rise, with recent surveys indicating Angus bulls cover up to 70% of the nation's cow herd. That drives higher quality grade, according to 2016 U.S. Meat Animal Research Center (USMARC) average marbling scores by breed. Angus tops all breeds with 614 (where a score of 500 is the minimum for Choice), down to Hereford, Simmental and Gelbvieh within a point of each other at 536 to 534, and other breeds below 500.

Drought-inspired culling also "amplified" the trend, McCully says. "The oldest genetics were eliminated, then replaced with young, current genetics that have far more Angus influence and carcass merit."

Wider use of DNA testing in both the seedstock and commercial sectors helps speed progress.

"We have a lot of selection tools with our genetics today that weren't available even five years ago," says Bortz, who feeds calves from his own herd in a home feedlot. "We can make progress today faster than we've ever been able to make it before."

Bortz started his cow-calf enterprise with a group of mismatched cows, bought in a hurry to use new grass resources.

"After probably our third year in the cow-calf deal, we really got focused on what it was going to take to get a premium carcass," he says, noting they've moved from a 50% Choice base up to routinely hitting 60% to 65% CAB, with Prime reaching up to 20% on some loads. As national grading continues to improve, Bortz says he pushes to "just get better one day at a time."

He counts on beating plant averages and says, "I have to be better than that to create my niche."

In the Angus breed, there is a clear upward trend in the average marbling expected progeny difference (MARB EPD). From 1972 to 2014, that MARB EPD increased from -0.20 to 0.60, or 80% of a quality grade.

"There has to be genetic selection pressure put on marbling to hit these high levels. We know that," McCully says. "But there's not this trade-off of pounds and performance, or feed efficiency or fertility. There's nothing that has to be given up."

In a detailed look at 640,000 camera-called carcass records in 2015, a CAB Consist Study revealed pounds and quality go hand-in-hand. Prime carcasses at 904 pounds (lb.) were 50 lb. heavier than Select. Choice carcasses averaged 888 lb., and there was less than an inch difference in ribeye area among the three grades.

In a ranch-level case study, Hadrick tracks everything from yield and weight to cow size and fertility.

"All of the numbers tell us that we haven't really given up anything, but the trait that pays us a lot more in the end, which is marbling, has increased a lot," he says.

"We see cattle fed exactly the same way: some grade Select, some grade Choice, some grade Prime, and it was the exact same feeding ration, same days on feed," McCully says. "The difference was genetics."

Cheaper feedstuffs and higher calf prices the past few years encouraged cattle feeders to increase days on feed, which is supportive to quality grade, but that doesn't mean longer feeding is the only route to grading, Williams says.

"If you have the right genetics, you can get a Prime or CAB Yield Grade 3 or less, absolutely. It's just genetics and

CONTINUED ON PAGE 112

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Grading all fed beef shows true Prime level

All reports point to the "highest-grading cattle in recent history."

Why not just "in history?"

"We know it's the highest-grading set of cattle in modern times, but there's no really good way to quantify the change from decades ago, because we can't compare apples to apples," says Mark McCully, vice president of production for Certified Angus Beef LLC (CAB).

In the late 1970s and 1980s, statistics report 90% or more of fed cattle grading Choice or Prime, with nearly 10% Prime early in that period, but that was with only about two-thirds being graded.

"It's important to understand that only a portion of carcasses were presented for grading," McCully says. "Packers were only grading those carcasses they believed would reach the highest two quality grades, selling the rest as 'no roll.' "

Since 1996, packers have consistently presented 90% to 95% of fed cattle for grading.

From 1996 to 2007, Prime-grading beef averaged 2.8% of the fed harvest mix, and it's increased nearly every year since.

"With all we know of genetics and management improvements, it seems likely that this is indeed the highest grading we've ever seen, even if there is no way to prove that with hard numbers given the partial grading years ago," McCully says.

Time for Prime CONTINUED FROM PAGE 112

management," he says. "We want the genetics to express their full potential, but we don't want the over-fat."

Bortz, Hadrick and Shinn say it's all about sticking as close to that packer-laid target as possible.

"It's doing all the little things right," Bortz says. "Not only do you have to do things right, you have to do the right things right."

The paycheck is the reward.

"It's not uncommon for producers to see $100 to $200 or even $300 on grids for those cattle that can hit that mark. It's significant money," McCully says.

USDA reported that Prime grid premiums averaged $15 per hundredweight (cwt.) last year.

"The last five years our percent Prime has doubled, and those spreads have stayed the same … The demand is there," Williams says, fending off any myths that it might be simply a factor of cattle numbers. "Weights are up, beef production hasn't tailed off."

Bringing in his colleague on the sales side of the equation helps explain.

"In years past, consistency of supply has been hit or miss, whether cost of gain is up or market factors due to weather. It's been a tough deal to get a consistent supply of Prime. Now we're seeing that turn around, and it's an upward trend, which really helps us from the sales side," says Chris Ross, program director with JBS-USA. "It's given us a great opportunity to expand that customer base and really supply that demand.

"We're seeing these large percentages of our nation's cow herd pointing in the direction of CAB and Prime qualifiers for a reason," he says.

It continues to encourage the production of more.

"I don't think we need to worry about hitting any sort of ceiling in any near future," McCully says, citing both domestic and global demand.

To Shinn, grid pay sheets prove it's still a profitable target.

"We aren't guessing here," he says. "This is real data."

And that 65% Prime? It's no accident.

Editor's Note: *Miranda Reiman is the assistant director of industry information for Certified Angus Beef LLC.*