

Trends in the Beef Market and Demand for High Quality Beef

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Amazing few years in this Industry

Prices – Who expected the
change?

Land Prices – What is the land
investment per cow today?

Price Volatility - WOW





Also amazed at how YOU have changed cattle

- Bigger
- Grow faster
- Calve easier
- Solid black
- Grade better



So what drives Value – The Big Three



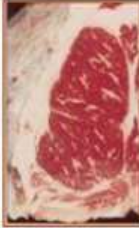

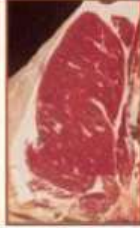

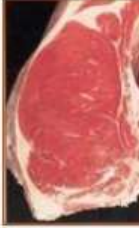

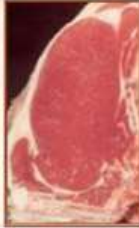
- 1) Health – the must live
 - 2) Pounds – Ability to grow
 - 3) Grade – Value is dictated by quality grade potential
- 



Never forget – The consumer determines the value of your calves

- As an industry we have shifted from a commodity to value based markets
- Today 70% of fed cattle sold on a formula or grid
- Virtually all grids are quality based

So we Understand Quality Grades

PRIME			PREMIUM CHOICE		LOW CHOICE	SELECT	STANDARD	
								
AB PR+	MA PR°	SA PR-	MD CH+	MT CH°	SM CH-	SL SE	TR ST+	PD ST-

Degrees of marbling used to determine USDA quality grades for beef, listed from greatest to least, are: Abundant (AB), Moderately Abundant (MA), Slightly Abundant (SA), Moderate (MD), Modest (MT), Small (SM), Slight (SL), Traces (TR), and Practically Devoid (PD).

Grade	% of Mix
Prime (3 grades)	4-5%
Premium Choice (MD & MT)	25%
Low Choice	40%
Select	30%
Standard (no roll)	1%

Quality Grade Drives Prices

Table			
Grade	\$/LB	\$/900# Carcass	
Prime	2.50	2250	> \$135
Premium Choice	2.35	2115	> \$108
Low Choice	2.23	2007	> \$54
Select	2.17	1953	

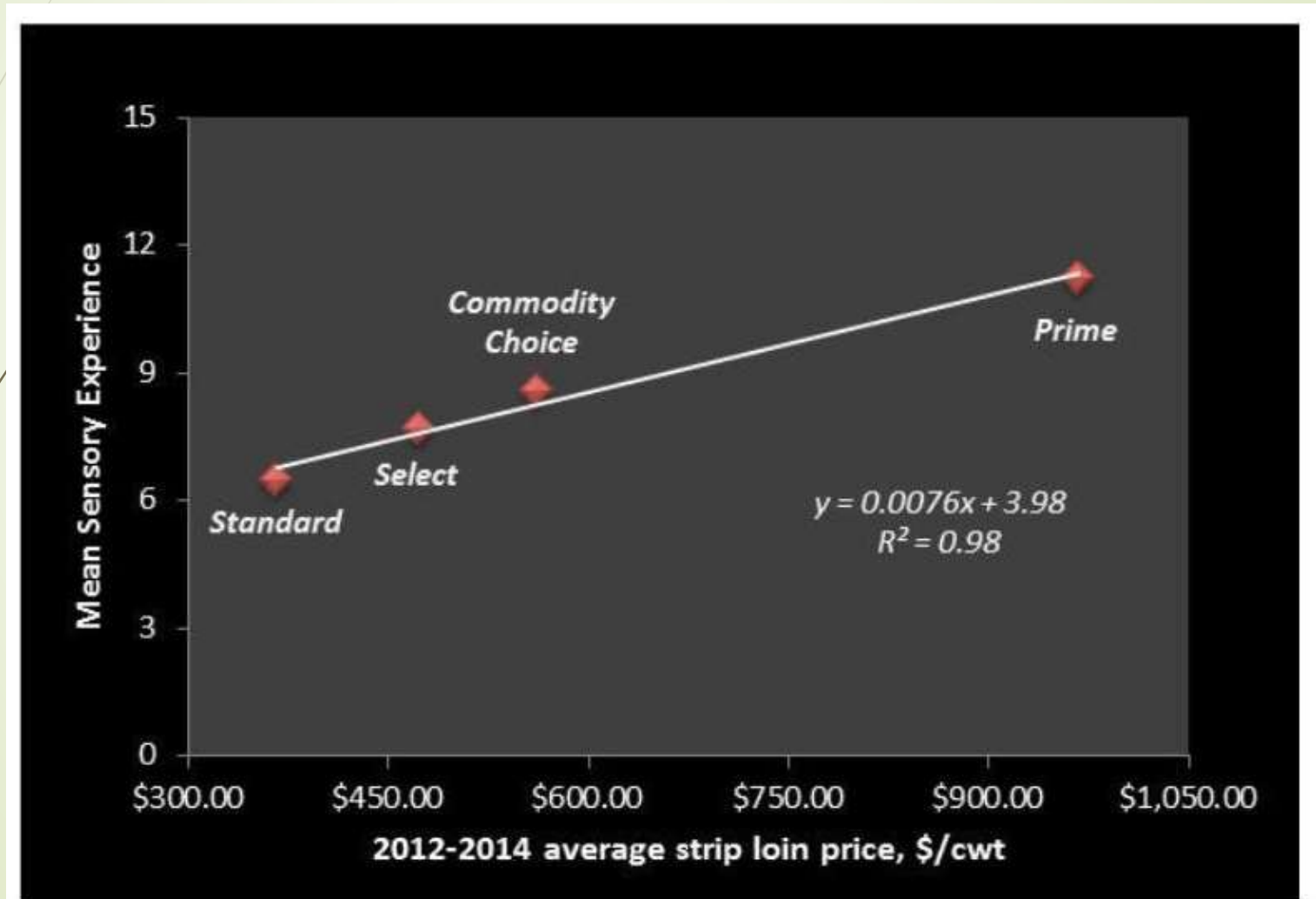
Urner Berry cutout data – Jan. 15, 2016

Price Trends

	Grade				
	Prime	Branded Choice	Commodity Choice	Select	No Roll
Boxed beef value	2.43	2.13	2.07	1.97	1.90
Ribeye, \$/LB	9.97	7.16	6.62	5.76	4.83
Tenderloin	13.76	10.63	10.11	9.25	8.73
Top Sirloin	3.79	3.43	3.28	2.94	2.80
Ground Beef	--	2.55	2.49	2.49	

Tatum, CSU – 2012 to 2014

Relationship between 2012 to 2014 annual average wholesale, boxed-strip loin prices and mean sensory performance of beef strip loin steaks differing in quality grade



Wholesale Beef Demand Index Values

Base Year = 2002



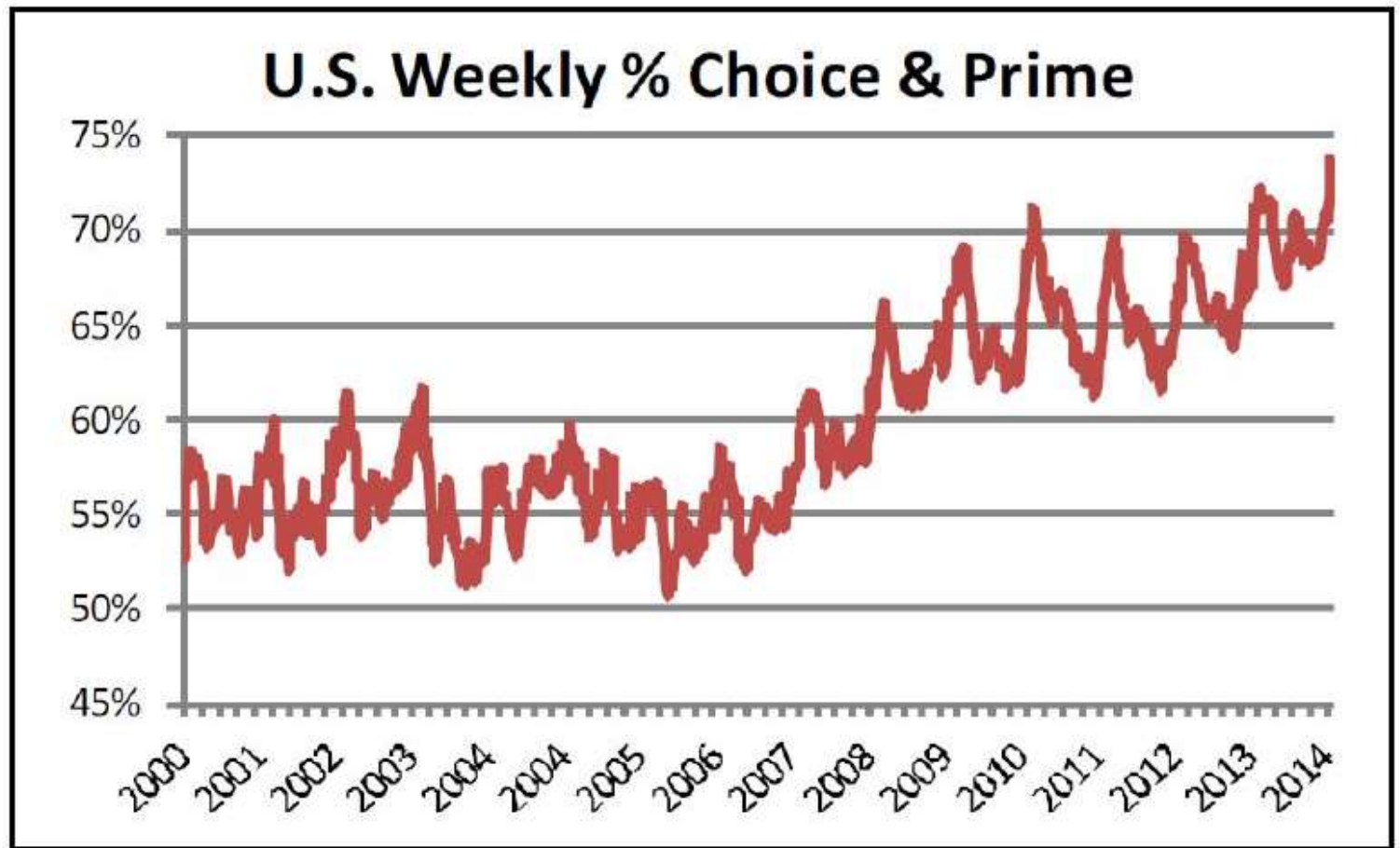
Source: USDA, Urner Barry and Certified Angus Beef LLC

Why Does Quality Grade Drive Price?

Table

Grade	% Unsatisfactory Eating Experience
Prime	3%
Premium Choice	7%
Low Choice	18%
Select	34%
Standard	45%


As an Industry How are We Doing?



USDA Quality Grade trend 2000-2014
(Source: Dykstra, 2015)



Why are Cattle Grading Better?

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- Genetics – All breeds are selecting for marbling
 - Because price per lb for fed cattle greatly exceeds COG. We are feeding cattle to heavier weights and fat end points.

What do I Give Up if I Focus on Marbling?

Trait	Correlation
Birth Weight	-.08
Calving Ease Direct	.17
Calving Ease Maternal	.28
Weaning Weight	.15
Yearling Weight	.19
Scrotal	.06
Heifer Pregnancy	.06
Docility	.05
Maternal Milk	.22
\$ W	.15

How are Florida and SE Cattle doing?

Quality Grade	SE	MW
% Prime	1.1	1.0
% CAB	21.6	19
% CH & P	69	70
Sickness, %	15.2	20.8
Death Loss, %	1.4	1.8
Tri-County Steer Futurity data		



So how do we get Cattle to Grade?

- Select for Marbling (very heritable)

Example – Angus

Breed Average EPD	.46
Top 25% EPD	.63
Top 10% EPD	.81

- Keep cattle healthy

Health is really Important

Trait	Number of Treatments*		
	0	1	2**
Feedlot ADG, lbs/day	3.2	3.05	2.9
Mortality rate, %	.1	3.8	15.3
Quality Grade, %			
Prime	1	.8	.7
Premium Choice	14.4	11.1	9.1
Low Choice	53.4	50	43.5
Select	29.3	35.1	39.5
Standard	1.9	2.9	7.3
Net \$ Returned	Par	-119.92	-365.01

*Data on 69,032 cattle at TCSCF

**12.5% of cattle



Practical Example of Health Impact (Kansas Producer)

	2013 Calf Crop	2014 Calf Crop
Death Loss	0	6%
Feedlot Gain	3.93	3.39
% CAB	44%	30%



Value of Growth – Pounds is What we Sell

Feedlot Gain	Gain over 150 Days	Add \$ at 1.32/LB
3 LBS/Day	450	--
3.5 LBS/Day	525	+\$165
4.0 LBS/Day	600	+\$330

Difference in 4 Bulls (Angus genetic survey)

Bull	Weaning EPD	\$ at 2.25/LB
Bottom 25%	43	--
Average	50	+15.75
Top 25%	57	+31.50
Top 10%	64	+69.75



Summary –

**Calves that can grow,
grade and live are
worth more**

