



CAB Corner on Quality
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“Where’s the Premium?” It’s now very clear

By Larry Corah, CAB Vice President

From its inception 25 years ago, the mission of Certified Angus Beef LLC (CAB) has been very clear: *Increase demand for registered Angus cattle through a specification-based, branded beef program to identify consistent, high quality beef with superior taste.*

The mission fit perfectly with the Angus advantage, the ability to produce just that kind of beef. It would not be automatic, but with proper selection and management, the Angus breed could live up to its potential for consumers.

With the dramatic growth in the CAB Program in the late 1980s and '90s, the impact on demand for Angus genetics was apparent. Now 80% of the packing base was licensed. However, the production sector still frequently posed the question, “*Where’s my premium?*”

The past five years have answered that question in dramatic fashion, creating obvious incentive where little was obvious before.

The most recent information release showing that our licensed packers paid \$50.01 million in grid premiums in 2003 is staggering. Even more amazing is the fact that this only represents the 40%-50% of fed cattle sold on grids in 2003 — what an impact!

Amazing is the fact that in 1998 most packers were still not paying CAB[®] grid premiums. They were just emerging, at \$4.2 million in CAB[®] premiums paid. Many packers vowed they would not pay a premium for CAB-accepted cattle. . . yet look at what is happening today.

Does this funnel down to the cow-calf producer? Sale barn surveys conducted by our industry information division over the last five years at nine auction markets across the United States say “yes.” The facts are that premiums are paid not simply for black hided cattle, but the higher percentage Angus, the more dollars bid.

Five and 10 years ago, being black hided was enough because the market did not yet require producers to prove value. As a case in point, in the 2002 Iowa Tri-County Steer Carcass Futurity, black hided cattle with less than 25% Angus had CAB[®] acceptance rates of 9.4%, but that jumped to 40% when cattle were over 75% Angus. That message is reaching the sale barns.

How much does this affect the value of an Angus bull? We asked Cattle-Fax to help determine that in 2002: Using 2000 CAB[®] product sales, the economic impact was about \$500 per bull. Considering the number of Angus bulls sold annually, the impact can only be described as ... HUGE. Today, that figure would be considerably bigger, yet those who buy the bulls know they can get their money back in a single calf crop.

At the consumer level, the word “Angus” is powerful. More and more retailers are saying, “I’ve got to have an Angus program.” By the end of this year, all five of the largest retailers will be carrying an Angus program. But what will that mean?

For Angus to retain this significance in the market place, the word “Angus” must be linked to an enhanced eating experience. When that is lost, the premiums being paid will sag. That will mean lost value for Angus-sired calves, followed quickly by lost value for Angus bulls.

Today, we can take heart in the fact that nearly 80% of all Angus product sold in USDA certified programs at the retail/foodservice level is the *Certified Angus Beef*[®] brand, the one with market demand that pays producers. As long as that level of quality “Angus” beef sales are maintained, we remain optimistic in saying the old question, “Where’s the premium?” has been answered. And the best is yet to come.

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