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How the CAB Program works

The world's oldest and largest branded beef company does not own any cattle or beef product. *Certified Angus Beef*[®] (CAB[®]) is based on pull-through demand, and the only thing Certified Angus Beef LLC owns is its trademark.

Producing CAB is all about aiming for quality. Cattlemen don't enroll, pay dues or feed specific rations, but everyone raising Angus-influence cattle can shoot for the CAB target.

"No live animal can be designated as CAB," says Mark McCully, director of supply development for the brand. "Carcasses are evaluated for our program by USDA graders in CAB-licensed packing plants, to see if they qualify for CAB."

Cattle must first pass live-animal qualification, being at least 51% black-hided or enrolled in the AngusSource program to document their Angus heritage. Then 10 additional carcass specifications are applied, including Modest or higher marbling, 10 to 16 square-inch ribeye and less than 1 inch of back fat. (See box)

The only revenue stream for CAB is a royalty fee from packers and processors, which pay an average of 2 cents per pound (lb.) to market qualifying carcasses as CAB. These funds pay for all brand initiatives and global marketing efforts, from Mexico to the Pacific Rim.

"Most cattle don't make our brand, and 90% of those fail because they don't have enough marbling, or taste fat," says McCully. Producers can participate in the program by breeding and managing their cattle with that high-quality end in mind.

"Starting with the right calves is just the first step," he says. Studies show that health programs, weaning strategies, facilities and nutrition and implant use all have an effect on final carcass quality.

Those details are noteworthy because premiums are paid all along the chain.

Steers of known Angus genetics consistently receive premiums averaging \$3.45 per hundredweight (cwt.) at the salebarn, according to an 8-year CAB price-reporting project that tracked sales across the U.S. Fall 2005 showed a record premium of \$5.68 per cwt. for 500-lb. steers.

It's important to note those are Angus, not "black-hide" premiums.

“Producers who are using Angus simply for hide color are not doing themselves or the industry much good,” says Larry Corah, CAB vice president. “On the other hand, there’s tremendous value in focusing on the end product with focused Angus genetics.”

Feedlots and those who retain ownership on feed will see a greater return on that focus, especially if they practice value-based marketing. Packers paid more than \$27.8 million dollars in CAB grid premiums last year.

In fact, the entire industry has benefitted from brands that segment the Choice grade by highlighting the upper two-thirds. Cattle-Fax estimates this premium level adds more than half a billion dollars to the industry each year.

“The fact that we differentiate higher grading beef, including CAB, is worth roughly about \$20 per head,” says Brett Stuart, Cattle-Fax analyst. “That premium is on the live side of the industry. That is not the meat premium received by the packer, it’s the premium paid by the packer to the seller of the cattle.”

Packers can sell CAB product for a premium because 14,000 CAB-licensed fabricators, restaurateurs and retailers know there is higher profit in beef that consumers come back for again and again.

An Oklahoma State University study shows that with a USDA Select grade steak, the chance disappointment from inadequate tenderness is 1 in 6. Those odds are 1 in 13 with USDA Choice, but improve to just 1 in 50 with CAB brand steaks.

The company, which will celebrate its 30th anniversary this year, set a record during the 2006-07 fiscal year with more than 584 million lb. sold.

“Supply is the biggest limitation to the amount of CAB our partners can sell,” Corah says, inviting producers to get carcass data back to improve their herds. “The more a producer knows about how their cattle perform in the feedlot and on the rail, the better. From there, they can adjust to make sure their cattle are the kind the market is demanding.”

Although cattle can qualify for the brand no matter where they are fed, CAB staff work closely with more than 60 feedlots across the U.S. through the Feedlot Licensing Program (FLP). These yards are focused on feeding high-quality, Angus-influence cattle and providing information back to their customers.

A recent comparison shows FLP yards achieve nearly 25% CAB acceptance on customer cattle, more than 5 percentage points above the national average. “That’s what you can achieve with coordinated decisions in genetics and quality-focused management,” McCully says. From there, it’s all up to the individual cattleman.

“It takes a sustained focus for a big share of any calf crop to reach our brand’s high standards, but it’s an achievable goal,” says McCully. “Those who have been working at it for a long time have some tremendous success stories.”

Those include producers like Larry Wickstrum, Westmoreland, Kan., and Mike Kasten of Millersburg, Mo.

Wickstrum’s 160 steers in the 2002 Best of the Breed contest went more than 90% CAB and CAB Prime. Kasten’s data shows after three-generations of selection for above-average marbling, his cattle can achieve 100% CAB and Prime, in a pen that gained more than 4 lb. per day.

For more information on CAB, check out the special reports “Supplying the Brand” and the “Best Practices Manual” by visiting www.CABpartners.com. Request your free copy of these resources by contacting Marilyn Conley at 800-725-2333, ext. 298 or mconley@certifiedangusbeef.com.

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