

Positioning for the Future of Beef Production - Focus on Quality

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Certified Angus Beef LLC

40th ANNIVERSARY 1978-2018

BIF 50

17,000+
licensed packers, processors,
distributors, retailers and restaurants in
50 COUNTRIES

NON-PROFIT
arm of the American Angus Association

OVER 1 BILLION
pounds sold annually

5 MILLION
head certified annually

\$75 MILLION
paid to cattlemen each year

40th ANNIVERSARY 1978-2018

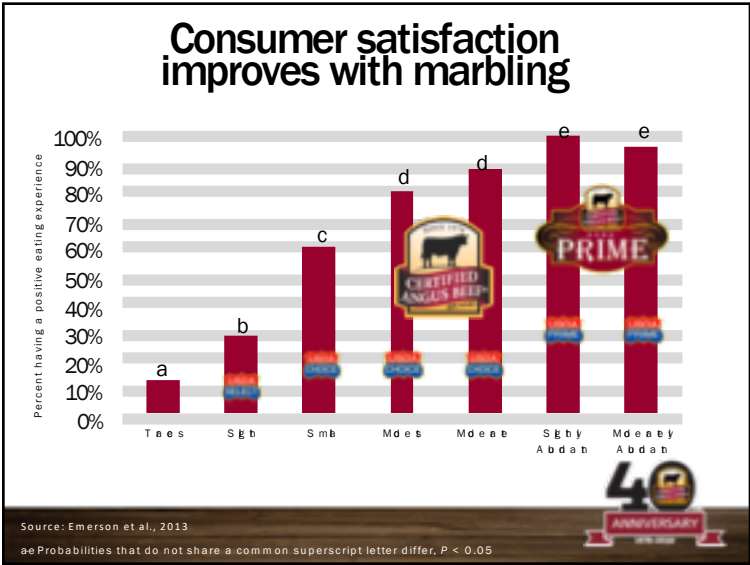
CERTIFIED ANGUS BEEF®

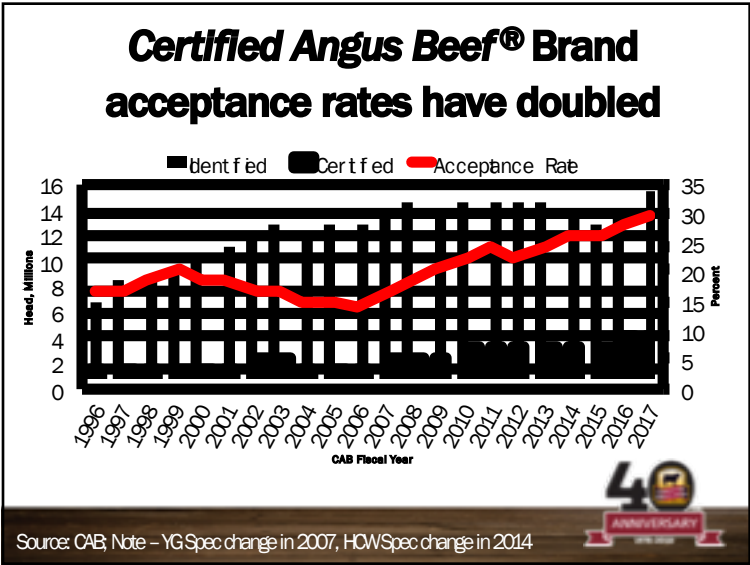
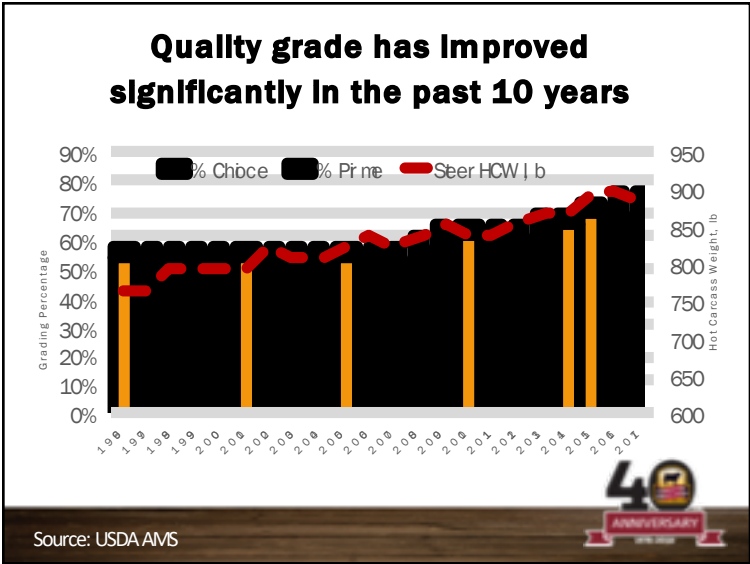
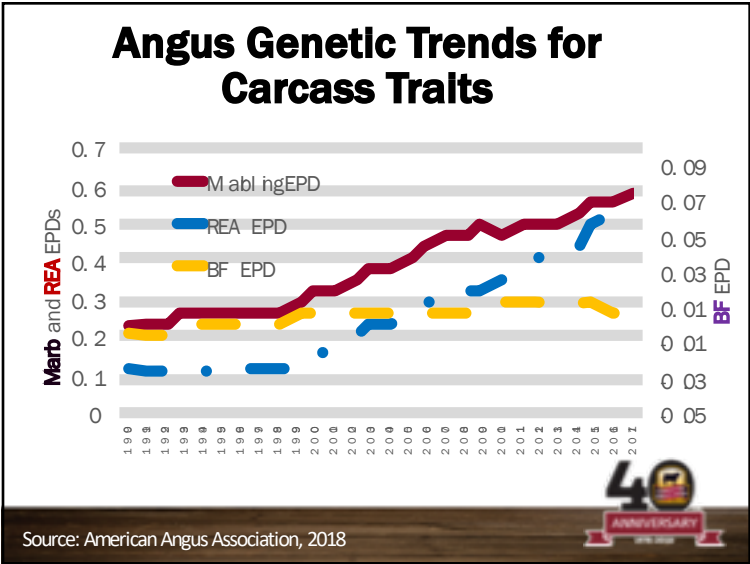
“Quality” = “Quality Grade” (Marbling)

USDA SELECT, USDA CHOICE, USDA CHOICE, USDA CHOICE, USDA PRIME, USDA PRIME

40th ANNIVERSARY 1978-2018

BIF 50

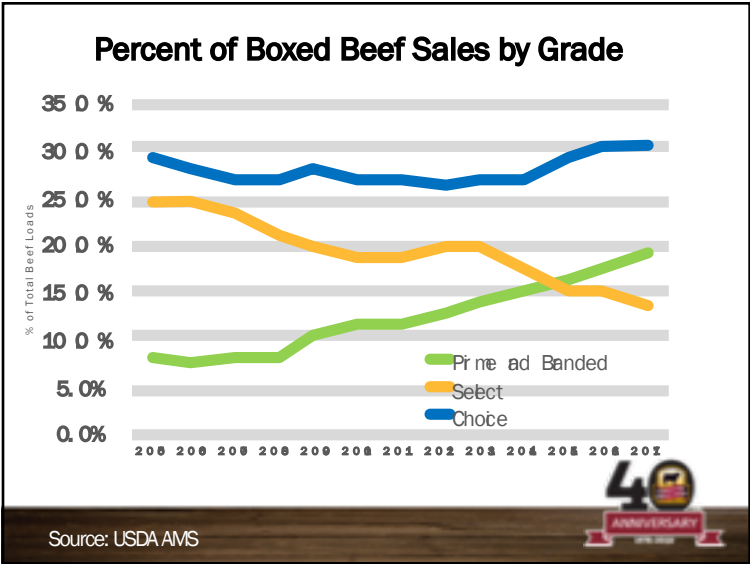




Grading Improvement has resulted in a significant shift in production quantities.

Average Weekly Production By Grade* (Million lbs)				
	2010	2017	Unit Change	% Change
Prime	13.0	25.1	+12.1	+92.8
Premium Choice	51.1	88.3	+37.2	+72.8
All Choice	254.3	299.9	+45.6	+17.9
Select	124.4	74.7	-49.7	-40.0
Other	22.4	17.6	-4.8	-21.2

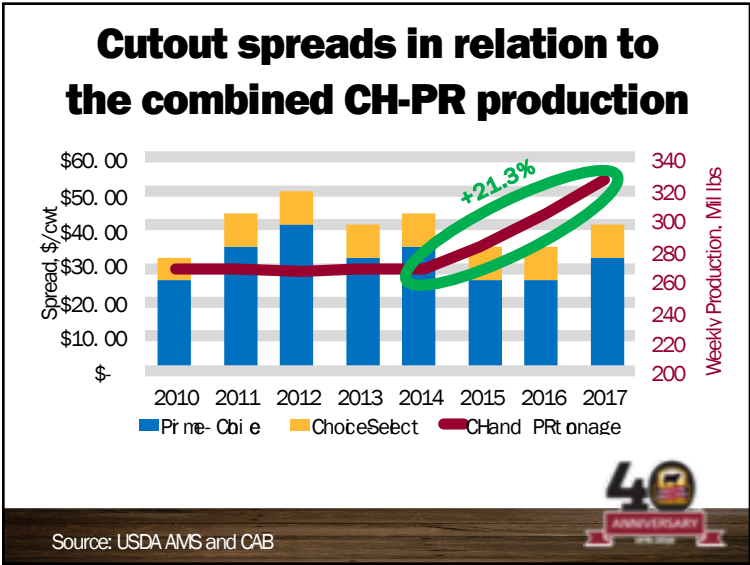
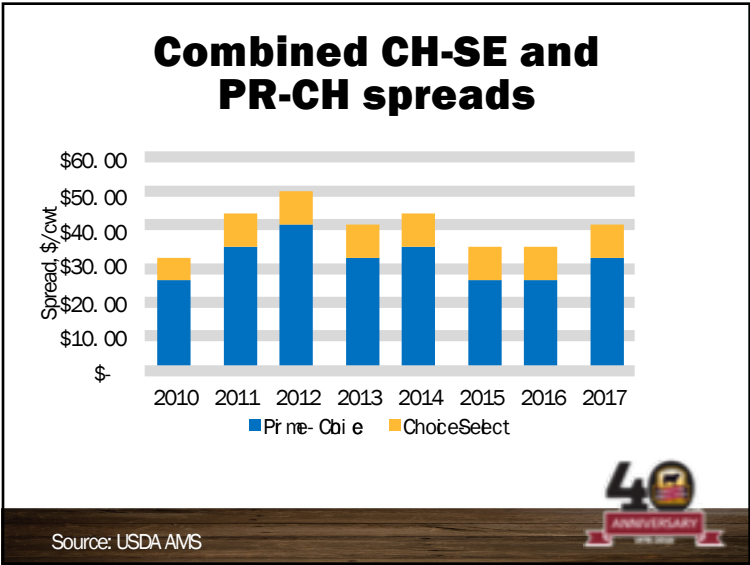
*Estimation based on fed steer and heifer harvested head multiplied by average fed hot carcass weight multiplied by QG distribution
Source: USDA AMS

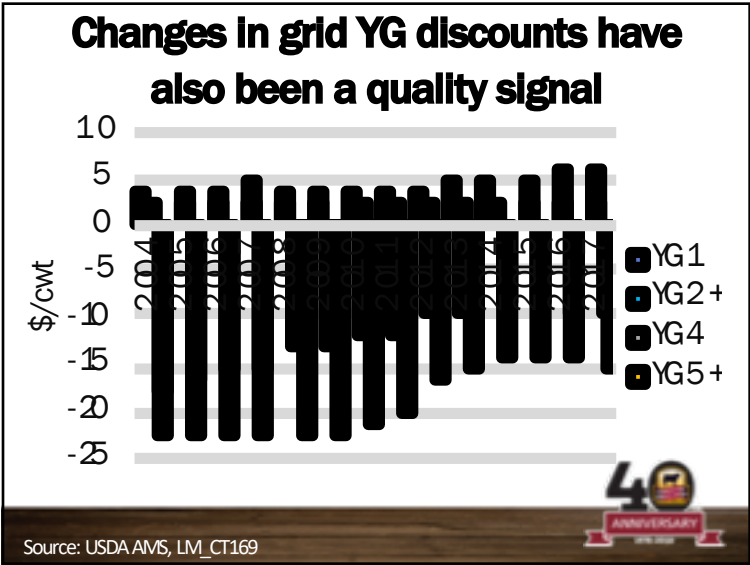
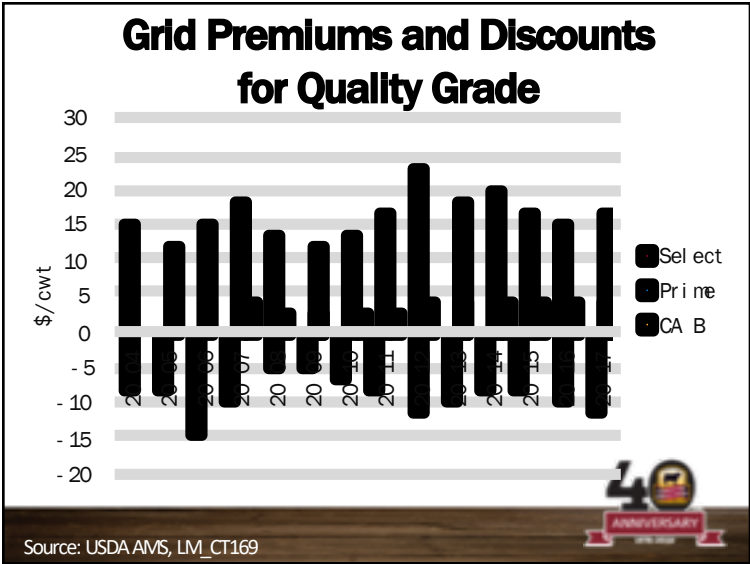
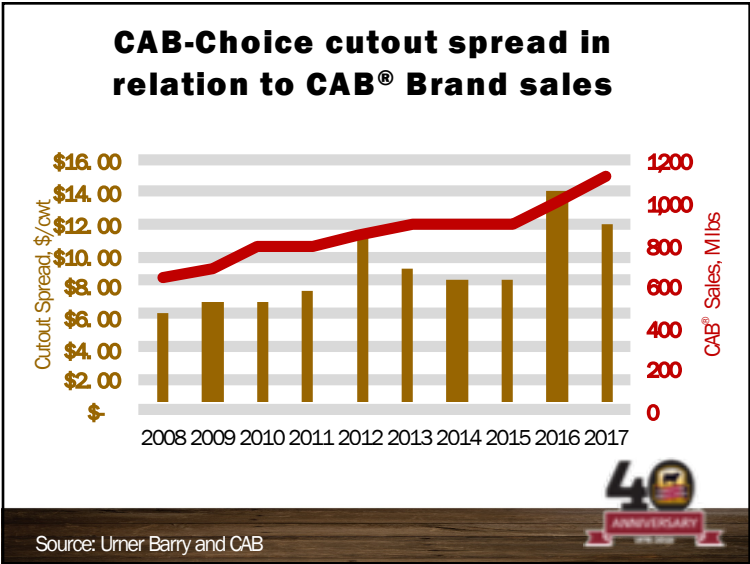


Boxed beef values and spreads by QG/brand

2017	Prime	CAB [®]	Branded	Choice	Select
Cutout, \$/cwt	238.31	218.42	212.46	206.98	196.80
Spread, \$/cwt		19.89	5.96	5.48	10.18

Source: USDA AMS and Uner Barry Yellow Sheet (CAB[®])





Is feedyard performance being sacrificed in the pursuit of quality?

	Low Grade	High Grade	All		Low Grade	High Grade	All
# of Pens	296	150	616	Finish Weight, lbs	1354	1398	1369
Head	62,774	39,897	136,016	DOF	152	166	158
%PR/CH	60.6	89.8	72.9	ADG	3.58	3.53	3.55
% PR	0.6	10.3	3.8	F:G (DM)	5.85	5.94	5.90
% CAB	12.7	44.7	25.2	COG, \$	0.72	0.70	0.71
% YG1-3	95.2	85.5	91.2				
Dress %	63.6	64.2	64.1				

Steers Only
Conventionally-raised
750-850 lb Placement
June-Oct '17 Closeout

40th Anniversary

Selection for marbling and the impact on maternal function and cow cost?



- Scrotal Circumference¹
- Age of Puberty²
- Age at First Calving³
- Birth Weight, Dystocia and Calf Survival⁴
- Milking Ability⁵
- Calving Interval⁶
- Mature Weight⁷

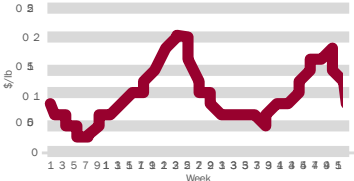
1McAllister et al., 2011; 2Splan et al., 1998; 3Bergfeld et al., 1995; 4Frazier et al., 1999; Evans et al., 2004; 5Ilesimeyer et al., 1996; 6Pitchford et al., 2006; 7Smith and Greiner, 2013; 8Frazier et al., 1999; Pacheco, 2011; 9Nephawe et al., 2004



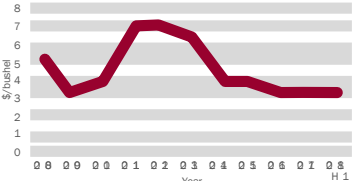
Demand Drivers of Quality in the Future


✓Risk management features

Choice-Select Spread - 3 Year Average



Annual Omaha Corn Price





Demand Drivers of Quality in the Future

✓Bigger supplies allowing customer access



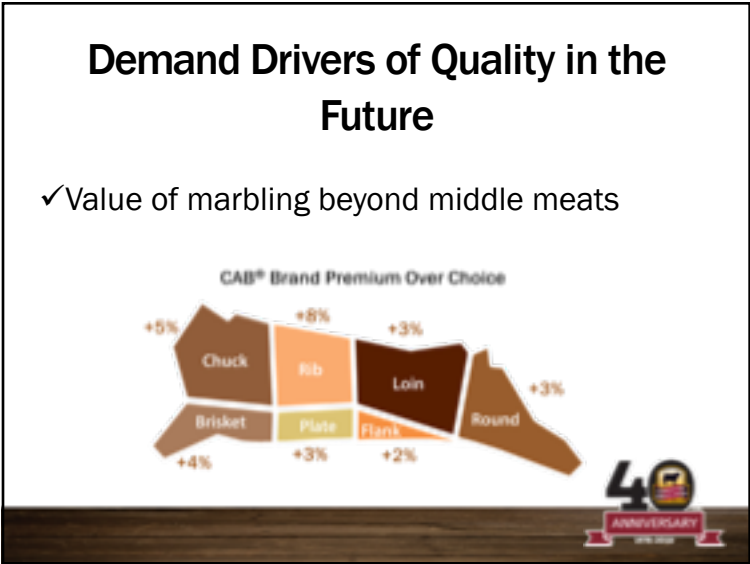


Demand Drivers of Quality in the Future

✓Ground beef is no longer quality grade neutral







Industry Targets

	2018 YTD	NBQA 2016 Targets	Maybe?
%Prime	7.6	5	15
%Upper 2/3 CH	23.3	35	45
% Low CH	48.1	35	30
%SE	17.6	25	10

Source: USDA AMS and NBQA 2016

- ### Conclusion – Quality Focus
- Increased quality = Increased demand
 - Improvement in marbling has been intentional and in response to market signals
 - In light of significant increases in Prime and Premium Choice the cutout spreads have remained
 - There are many supporting factors for strong future demand
 - Quality improvement can be achieved without sacrificing maternal function or feedyard performance
- BIF 30th Anniversary 1988-2018
- 40th Anniversary 1978-2018