

GRID PERFORMANCE

The year 2020 will be difficult to forget.

The COVID-19 pandemic caused huge disruptions in beef processing plants across the country. In early April, the beef industry harvested 330,000 more fed cattle than the same point the previous year. Then, plant worker attendance began limiting the number of cattle that could be processed and, five months later, the cumulative total head processed dropped to 839,000 head less than the first 34 weeks of 2019.

At the end of 2020, the cumulative number of fed cattle harvested in the U.S. was 843,000 less than 2019.

From April 5 through August 22, 1.17 million less fed cattle were harvested compared to the same weeks of 2019. At its worst, the week ending May 2, total fed cattle

harvested was 59% of the same week in 2019.

USPB also experienced a decrease in the number of cattle that could be harvested. However, market access through ownership of delivery rights helped USPB producers market their cattle. The backlog affected the performance of USPB cattle and all cattle harvested industry wide.

Table 1 (above) lists Kansas carcass grid performance, and **Table 2** (page 4) lists the premium breakdown for the last four years.

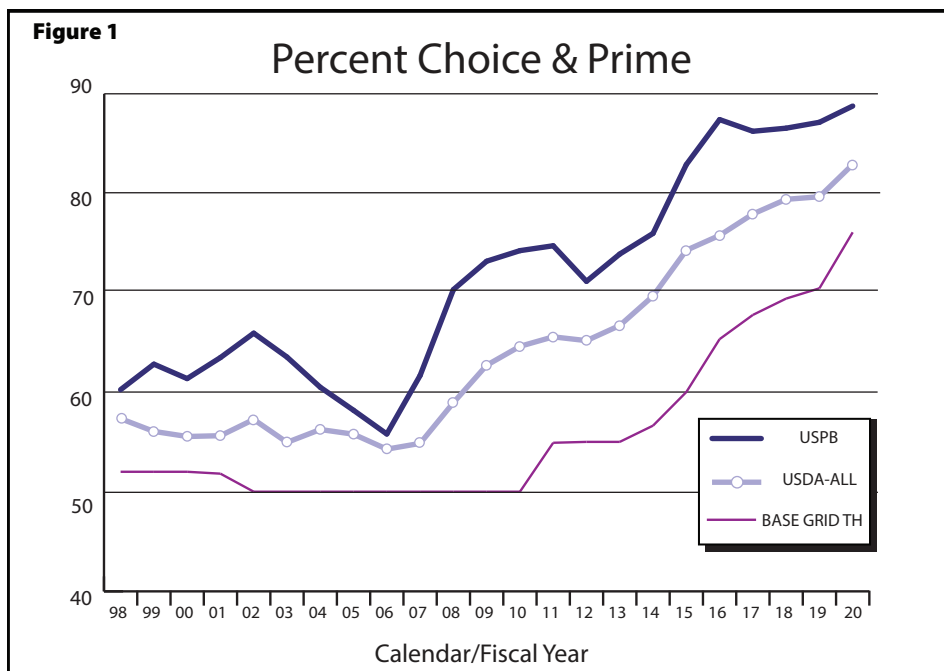
Days on feed for USPB cattle was record high for the year. At the same time, average placement weight into feedyards was the second highest. As a result, both live and carcass weights were record high during company history.

Lightweights were the lowest and heavyweights were the largest they've ever been, resulting in the second largest outweigh discount, shown in **Figure 2** (page 4). In March 2019, heavyweights were subdivided into two different categories: 1,050-1,099 pounds and 1,100 pounds and above. In October 2020, the discounts for each of those heavy categories were reduced. Both grid changes were made to encourage delivery of more steers. It also helped keep the outweigh discount more manageable, given the higher percentage of heavy carcasses delivered during 2020.

Another change to the grid in March 2019 was the addition of a steer premium. For groups of 95% or greater steers, a premium of \$1.57 per cwt carcass was added. For lots that qualified, the average steer premium was \$14.44 per head. As listed in **Table 2** (left), the steer premium contributed \$5.96 per head across all USPB cattle and was record high.

Even with the backlog, feedlot performance appeared to be strong. Apparent total gain was record high and surpassed 600 pounds. Apparent average daily gain was the second highest, which was impressive, considering the longer time on feed related to the backlog.

The added days on feed contributed to a record-high marbling. Prime percentage, and the Choice and Prime percentage of USPB cattle were record high, and Select was record low. The same was true for national



GRID PERFORMANCE

USPB Benchmark Performance Table — Kansas Plants

Table I	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal Year 2021 YTD (Dec.-Feb.)	
	All	All	All	All	All	Top 25%
In Weight	758	753	754	760	783	776
Days Fed	158	161	166	168	165	175
Live Weight	1317	1313	1319	1366	1398	1384
Carcass Weight	845	841	844	876	893	896
Yield, %	64.13	64.07	63.97	64.11	63.87	64.76
Prime, %	4.37	5.70	6.36	7.88	5.98	8.22
Choice & Prime, %	86.17	86.48	87.07	88.70	88.75	90.51
CAB, %	26.40	30.08	28.22	27.24	26.75	28.32
BCPR, %	18.13	18.03	18.42	20.33	22.63	21.31
Ungraded, %	0.79	0.58	0.77	0.72	0.33	0.25
Over 30 months, %	1.21	1.25	1.76	2.25	2.27	1.16
Hard Bone, %	0.51	0.20	0.41	0.48	0.74	0.39
Yield Grade 1, %	10.57	10.48	11.46	8.92	7.60	8.08
Yield Grade 2, %	37.41	36.20	37.28	33.49	31.65	32.99
Yield Grade 3, %	39.73	39.95	38.81	41.14	42.66	43.17
Yield Grade 4, %	11.16	12.05	11.27	14.59	16.21	14.27
Yield Grade 5, %	1.12	1.31	1.17	1.87	1.88	1.49
Average Yield Grade	2.55	2.57	2.53	2.67	2.73	2.68
Lightweight, %	0.27	0.25	0.33	0.17	0.12	0.05
Heavyweight, %	1.92	1.69	2.69	4.83	6.18	5.06
Overall Premium	\$49.12	\$45.74	\$58.42	\$50.77	\$50.09	\$87.61
Prime Premium \$/cwt	\$18.90	\$10.21	\$16.82	\$12.43	\$20.15	\$20.15
CAB Premium \$/cwt	\$3.91	\$3.10	\$3.61	\$4.39	\$4.93	\$4.93
CH/SE Spread \$/cwt	\$11.51	\$11.79	\$16.20	\$12.02	\$12.49	\$12.49
Steer, %	43.77	43.12	43.73	44.26	44.48	55.90
Black-hided %	77.63	77.88	75.81	74.76	75.20	74.38
Total condemned liver %	15.81	19.40	18.71	20.31	20.00	18.24
Open abscess liver %	2.81	2.89	2.60	2.64	3.01	2.39

GRID PERFORMANCE

Premium Breakdown — Kansas Plants

Table 2

\$/Head	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Quality Grade	\$32.46	\$28.85	\$37.84	\$27.89
Yield Benefit	\$20.69	\$19.03	\$15.43	\$18.16
Yield Grade	-\$1.33	-\$0.36	+\$1.53	+\$2.96
Outweights	-\$3.85	-\$3.41	-\$3.47	-\$5.01
Steer	N/A	N/A	\$4.51	\$5.96
Subtotal Premium	\$47.97	\$44.11	\$55.84	\$49.96
Natural	\$1.15	\$1.63	\$2.58	\$0.81
Overall Premium	\$49.12	\$45.74	\$58.42	\$50.77
Top 75% Premium	\$62.25	\$57.91	\$75.68	\$65.70
Top 50% Premium	\$74.32	\$68.30	\$91.81	\$77.39
Top 25% Premium	\$91.99	\$83.48	\$115.67	\$93.05

continued from page 1

averages reported by USDA. **Figure 1** (page 1) shows the historical Choice and Prime percentage for USPB cattle, the national average and the threshold used on the grid.

The entire industry is producing the highest quality product in history and it appears to be having a very positive impact on beef demand, even during a pandemic.

USPB percentage of Black Canyon® Premium Reserve and Certified Hereford Beef® Premium branded beef program percentages were also record high. Certified Angus Beef® (CAB) percentage was the fourth highest, but lower than the previous two years.

A significant increase of carcasses disqualified from CAB specifications for excessive carcass weight and large ribeye area occurred during 2020. Disqualifications for excessive backfat and over 30 months were also higher than previous years. It appears the backlog was related to the reduced CAB level. Percentage of black-hided cattle delivered was also down slightly from recent years.

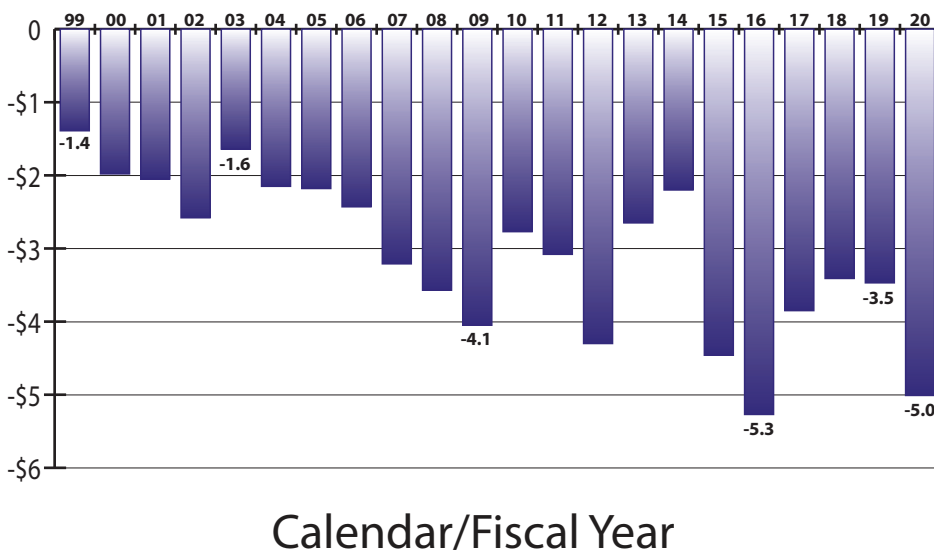
Rewards in the marketplace for superior quality grades were lower than the previous year. The Prime premium was lower. The Choice-Select spread was down from the record high set during 2019 but was still the fourth highest in company history. CAB premiums increased, but only slightly above company history average. Although USPB carcasses graded better, premiums in the marketplace caused quality grade premium per head to be lower. However, once again, quality grade premium was the largest subtotal premium with the most total impact on the total premium.

Yield grade 4 percentage, shown in

continued on page 4

Figure 2

USPB Outweight Discount, \$ per head



GRID PERFORMANCE

continued from page 3

Figure 3 (top right), was the second highest and yield grade 5 percentage was record high for USPB carcasses. Average backfat of USPB carcasses was 0.61 inches. This was the highest fat thickness in the last 12 years since individual animal data has been available from instrument grading. However, plant average yield grades from cattle purchased on the cash market increased more. The plant average yield grade 4 percentage is also shown in **Figure 3**. As a result, yield grade premium/discount was record high on the USPB grid during 2020 as shown in **Figure 4** (middle right). This was only the third year the average yield grade premium was positive during company history.

Total premium for USPB cattle, shown in **Figure 5** (above), was \$50.77 per head more than if they were marketed on the average cash, live market in Kansas. This was lower than the previous year, but still the fourth highest on record. ♦

