

# THIRD QUARTER GRID PERFORMANCE REPORT

## Kansas Grid

Grid performance for U.S. Premium Beef, LLC (USPB) cattle delivered to Kansas plants during the third quarter of fiscal year 2021 is summarized in **Table 1** (page 3). It was an outstanding quarter. Total premium per head was record high during the company's 23-year history and is shown in **Figure 1** (below).

Quality grade premium per head was the second largest on record and twice as large as last year. Historical quality grade premium is shown in **Figure 2** (page 2). Carcass quality grades of USPB cattle continued to be great, and rewards in the

marketplace were especially large. The Choice/Select spread was record high, Prime premium on the grid was the largest in 17 years and Certified Angus Beef® (CAB) premium was the highest in over eight years. Although this trend has happened before, it is unusual for all three quality rewards to be this strong at the same time. Prime premium and the Choice/Select spread are shown in **Figure 3** (page 2).

Average backfat of USPB carcasses was record high. However, muscling kept yield grades (YG) in check. USPB YG 4 & 5 percentage remained below the thresholds, resulting in the third

largest YG premium per head.

Live and carcass weights were both down slightly from a year ago. Total heavyweight percentage was also lower, resulting in a smaller outweigh discount compared to a year ago. The steer premium was record high during the third quarter.

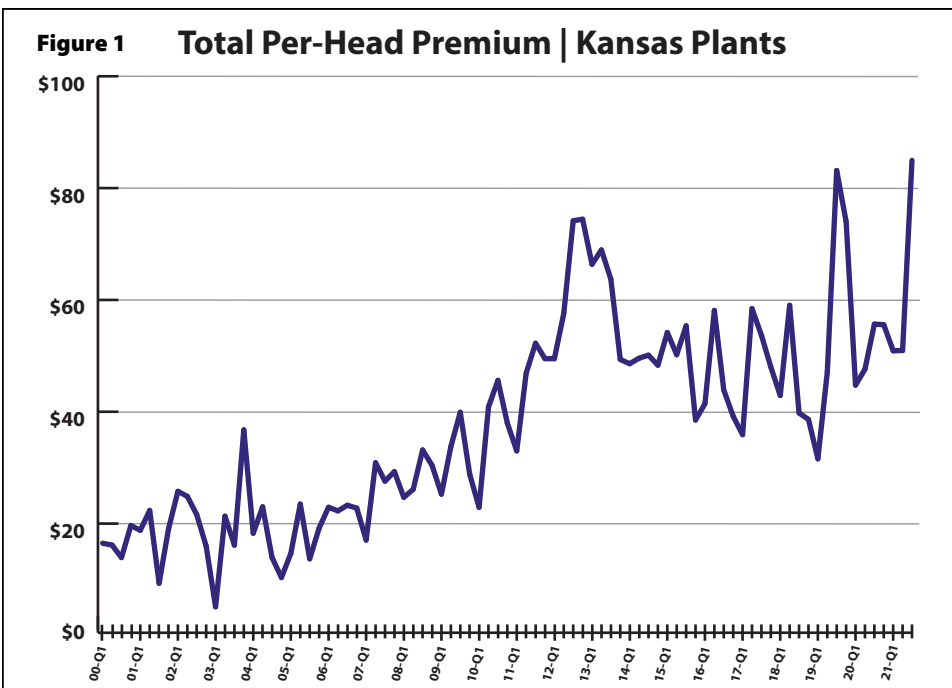
Demand for high-quality, well marbled beef is strong.

The USPB grid provides the incentive and the economic reward for producing what consumers prefer and are willing to pay a premium for. Even though industry grading has been greater than 80% Choice and Prime for a year and a half, the market is still demanding more high-quality beef. The overall total premium was record at **\$84.96 per head** more than selling on the cash, live market in Kansas.

So far, during the third quarter, premiums for Prime, CAB and the Choice/Select spread are even greater, further increasing quality grade premium per head. Live and carcass weights are significantly heavier, but the fourth quarter is known for seasonally higher weights. USPB cattle have been fatter, but muscling has improved.

As a result, YG premium per head is high. Overall premium is very high. Notice the extremely strong premium

*continued on page 2*



# GRID PERFORMANCE

continued from page 1

for the top 25% which are primarily the best grading cattle benefitting from the extreme premiums currently available in the marketplace.

## Iowa Grid

Grid performance for USPB cattle delivered to the Tama, Iowa plant is summarized in **Table 2** (page 4).

Note that results from the Iowa grid cannot be compared directly to those from the Kansas grid. Only black-hided cattle are harvested at the Tama plant. The Iowa grid compares to a dressed delivered price in Iowa/Minnesota instead of a live price at the Kansas feedyard. Therefore, the Iowa grid does not have a “Yield benefit” like the Kansas grid. Instead, the benefit of the “Formula Allowance,” which is added to the USDA dressed delivered price, is listed. There are also differences in the structure of the two grids. These are different cattle, harvested at a different plant in a different region on a different grid.

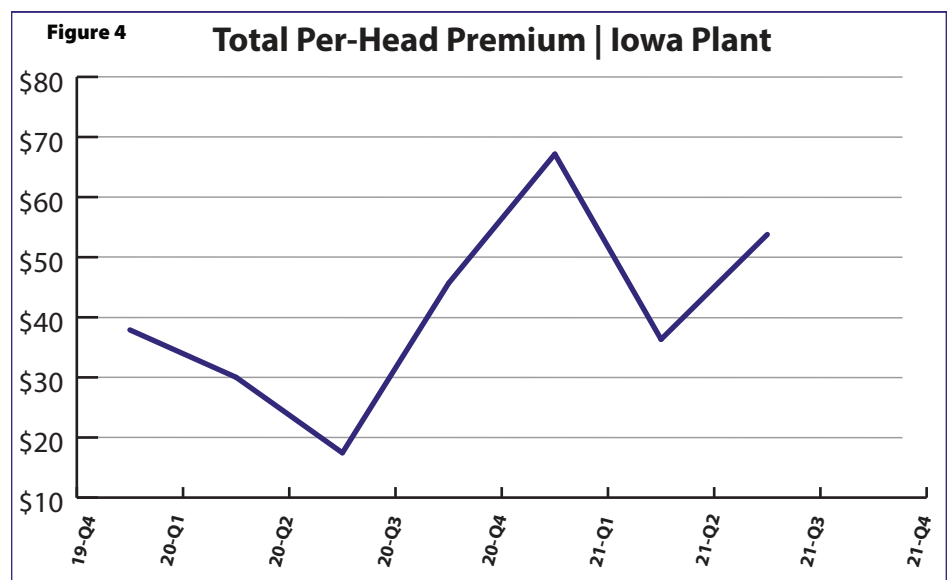
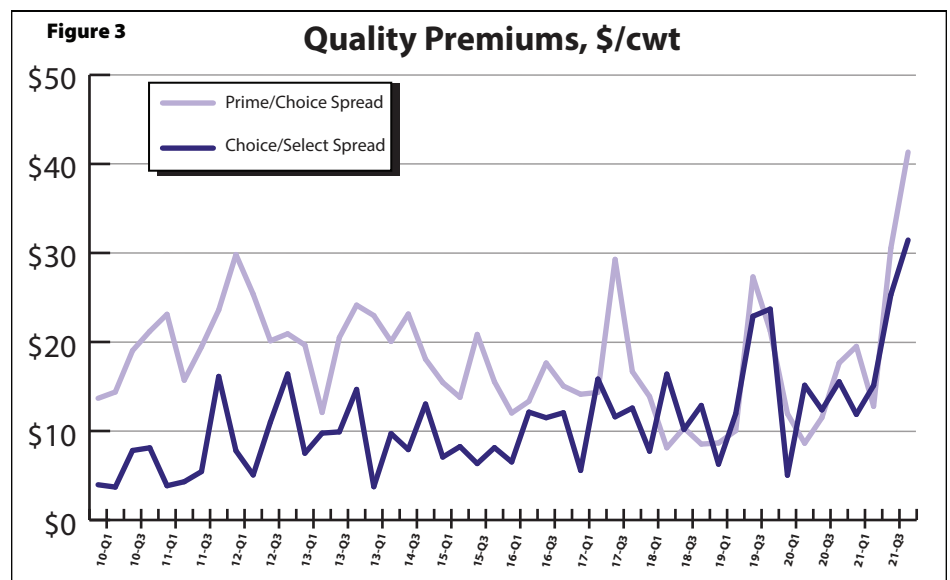
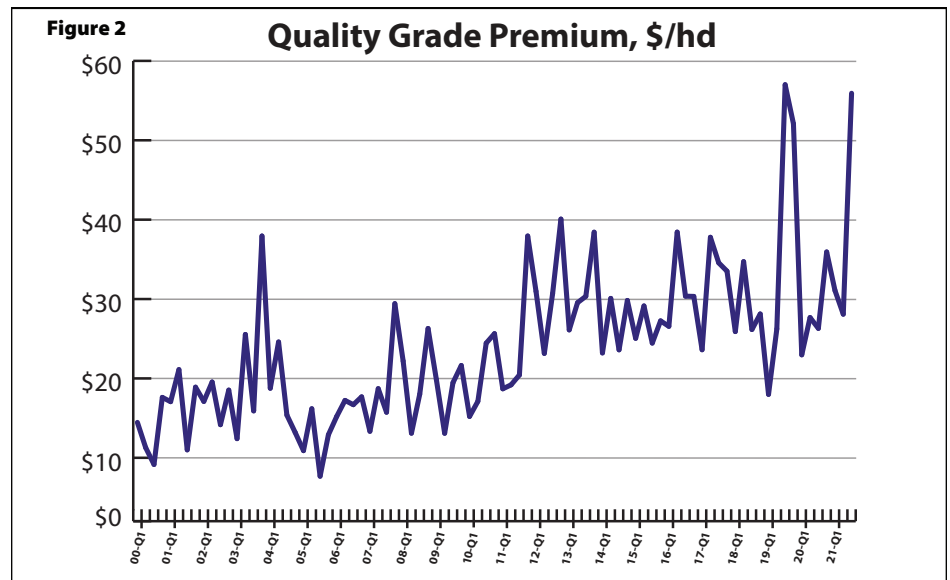
Recently, several changes were made to the USPB Tama grid. These are the first updates since the grid was introduced in December 2019. There will no longer be two seasonal grids. Instead, it will be the same grid all year.

If you have any questions, please call USPB headquarters at 866-877-2525 and we can send information about the updated Iowa grid.

A larger volume of cattle is now being marketed on the Tama grid each week. In general, the cattle are improving and feeders who regularly deliver are gaining more experience.

Quality grade premium per head was the highest of the seven full quarters cattle have been delivered on this grid. This was primarily driven by large premiums in the marketplace for high marbling beef. Prime percentage

continued on page 4



# GRID PERFORMANCE

## USPB Grid Performance for Cattle Harvested in Kansas

\* = record high/large

Table I	FY21, Q3 (this Qtr)	FY21, Q2 (last Qtr)	FY20, Q3 (year ago)	FY21, Q4 to-date
USDA-KS cash \$/cwt.	\$121.60	\$119.19	\$99.69	\$123.51
Choice/Pr.Threshold, %	73.95	77.41	76.98	73.92
CH/SE spread, \$/cwt.	\$25.30*	\$15.12	\$12.37	\$29.85
Prime/CH spread, \$/cwt.	\$30.54	\$12.77	\$11.50	\$42.95
CAB spread, \$/cwt.	\$5.83	\$4.45	\$3.93	\$7.07
Plant Avg.YG 4&5, %	17.63	17.04	20.59*	20.12
% Steers	49.02	48.30	45.99	47.67
% Black hided	75.76	73.34	74.62	77.36
Apparent Avg. Daily Gain	3.51	3.38	3.54	3.55
In weight	760	736	752	795
Days fed	171	179*	173	166
Live weight	1,361	1,342	1,365	1,383
Carcass weight	872	857	879	883
Yield, %	64.07	63.84	64.41	63.85
Prime, %	6.54	7.38	8.30	6.09
Choice & Prime, %	86.81	86.84	88.20	84.43
CAB, %	26.44	27.32	26.42	22.43
CHBP, %	0.53	0.64	0.50	0.41
BCPR, %	19.82	17.86	20.65*	20.99
Yield Grade 1&2, %	42.18	44.93	40.46	42.46
Yield Grade 3, %	41.63	40.45	41.23	40.63
Yield Grade 4&5, %	16.19	14.61	18.32	16.91
Average backfat, inches	0.64*	0.59	0.64	0.65
Actual-Required REA, sq.in.	0.69	0.57	0.62	0.81
Total Heavyweight, %	3.67	3.17	5.03	4.85
Total condemned liver, %	20.04	23.04*	22.53	16.34
Open abscessed liver, %	3.16	3.37	2.72	3.00
QG premium/head	\$55.92	\$28.09	\$26.30	\$61.31
Yield benefit/head	\$18.02	\$11.66	\$22.93	\$12.82
Yield Grade premium/head	+\$5.46	+\$6.66*	+\$5.91	+\$6.86
Outweight discount/head	-\$2.27	-\$2.20	-\$6.10	-\$3.37
Steer premium/head	\$6.81*	\$6.41	\$6.20	\$6.75
<b>Subtotal premium/head</b>	<b>\$83.94</b>	<b>\$50.62</b>	<b>\$55.24</b>	<b>\$84.37</b>
Natural premium/head	\$1.02	\$0.33	\$0.43	\$2.50
<b>Total premium/head</b>	<b>\$84.96</b>	<b>\$50.95</b>	<b>\$55.67</b>	<b>\$86.87</b>
Top 25% premium/head	\$142.82	\$94.22	\$93.98	\$163.43

continued on page 4

# GRID PERFORMANCE

continued from page 2

of USPB carcasses also increased over the previous quarter and from a year ago. Cattle on the Iowa grid are especially high in Prime — approximately double the national average. As a result, their quality grade reward is especially great — even with high thresholds for Choice or better and CAB.

Average YG was the highest. The percentage of YG 4 & 5 carcasses was the second largest and YG 1 & 2 percentage was the lowest of all seven quarters. This was the first quarter USPB cattle had more YG 4's & 5's than

the plant average thresholds.

As a result, YG premium per head was the smallest. Again, this can be attributed to producers gaining experience and seeing the reward for feeding cattle longer, resulting in heavier carcass weights and larger premiums — especially when quality rewards are great.

However, outweigh discount per head was the best, or the smallest discount, of all seven quarters. Both lightweight and heavyweight percentages were the lowest. This indicates producers are learning which

cattle work well on the grid.

The overall total premium (**Figure 4**, page 2) for the third quarter was **\$53.78 per head** more than selling on the cash, dressed delivered market in the Iowa/Minnesota region as reported by USDA. So far during the fourth quarter, total premium is even better, led by quality grade and supported by a healthy YG premium.

If you have black-hided cattle you would like to deliver to the National Beef plant in Tama, Iowa, or if you have questions about the grid, please call 866-877-2525 and ask for Brian. ♦

## USPB Grid Performance for Cattle Harvested in Iowa

\* = record high/large

Table 2	FY21, Q3 (this Qtr)	FY21, Q2 (last Qtr)	FY20, Q3 (year ago)	FY21, Q4 to-date
USDA-IA/MN dressed \$/cwt.	\$199.57	\$191.06	\$161.21	\$195.28
Choice/Prime Plant Avg, %	93.97	94.87	96.50	93.24
Plant Average YG 4&5, %	24.82	28.73	30.26	34.32
% Steers	67.51	64.43	64.09	61.25
Live weight	1,371	1,373	1,356	1,400
Carcass weight	871	870	860	889
Yield, %	63.49	63.37	63.41	63.47
Prime, %	20.53	18.98	17.99	20.26
Choice & Prime, %	94.74	94.42	90.84	93.63
CAB, %	33.27	37.07	34.57	33.77
Yield Grade 1&2, %	13.18	16.72	14.70	12.47
Yield Grade 3, %	61.36	59.86	61.79	60.23
Yield Grade 4&5, %	25.46	23.42	23.52	27.29
1050-1099 lb. heavy, %	1.89	2.39	2.20	2.87
1100+ lb. heavy, %	0.53	1.14	0.89	1.37
QG premium/head	\$52.43	\$16.08	\$7.21	\$75.50
Formula Allowance/head	\$4.36	\$16.73	\$4.30	\$5.97
YG premium/head	\$0.03	\$8.11	\$11.45	\$10.25
Outweight discount/head	-\$3.04	-\$4.59	-\$5.51	-\$5.93
Total premium/head	\$53.78	\$36.33	\$17.45	\$85.79
<b>Top 25% premium/head</b>	<b>\$110.87</b>	<b>\$72.13</b>	<b>\$55.63</b>	<b>\$156.65</b>