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Transcription of GMS grid premiums, episode 32

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Welcome back to the Pasture to Profit podcast. I'm Travis Taylor and I'm joined by my co-host today, Scott Stinnett from the Kit Carson County CSU extension office in Burlington, Colorado. And we're going to visit a little bit about something that both of us know about enough about to be dangerous with Scott. So you and I are kind of kind of have this conversation today.

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We came across an article that was put out at talking about some genetics and beef cattle, in this case, the Angus Association and grid based premiums for those genetics and the ability for individuals who maybe are feeding cattle all the way through. Or maybe you're trying to sell some calves to a feed yard. To take effect. Scott. And, you know, National Beef is offering some premiums based on some information gathered through Angus Genetics.

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So the article title is National Beef USP, which is United States Premium Beef, reflects on first year of genetic based grid premiums. To paraphrase and kind of condense what all is in the article. Essentially over the past year at National Beef Processing, which is partially owned, a minority owner is US PB, US premium beef. They're working with the Angus Association and using the Angus Association's Genetic Merit Scorecard to provide premiums on fed cattle that are being processed.

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And so what a genetic merit scorecard is, is essentially Angus takes the EPD, the predicted EPD off of these calves. Well, I should say these are full grown processed fat steers and heifers and goes back to, based on a generic score for what they call the beef score, the feedlot score and the grid score, and essentially the beef score.

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According to the Angus Association and their Angus Link website, the beef score predicts genetic potential for feedlot performance and carcass value. And then the two others. The feedlot score signifies a group's potential for post winning performance and then define their grid scores, signals the performance potential for carcass grid merit. And so what those scores do is kind of help predict whether or not these animals, when they get to processing, are going to hit that high choice or per prime yield grade.

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I think as we look at this, I think it's important to clarify that this is based on their size for the Angus Association. So in order to do this, there's a couple steps that individuals have to do to get into the Angus Link program. And one is they would have to age in source verify through I am I global who is a major third party agent source verification system.

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And then they're going to have to have registered Angus Sires for this. In this case they would have to have calves that are 50% Angus then out of a registered sire, and 75% of their total bull battery would have to be registered Angus tires. So it's looking back at what I'm going to say, maybe taking a step back in time.

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We have all this EPD information now on all these Angus cattle. And we have this huge database that's offering us the ability to predict what the offspring of these sires are going to do for the producer in the lot, on the rail. And really realistically, US premium beef is offering some incentives. I look at it together, information and have more information because they now have some predictability behind them.

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Right. And for the producer, there's two things about this. Number one, just going through this process and getting this generic genetic merit scorecard number for those three things that allows them to have some information for hopefully, genetic improvement over the coming generations that are going to follow, you know, your next carving season, your next carving season, then the next scouting season should show some improvement genetically.

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And are you keeping up with the genetic changes within the total association, all those Angus based cattle that are out there? Or are you actually getting ahead of the ball game? Or unfortunately, maybe you're getting a little behind? And so I think having this genetic merit scorecard makes things a lot easier, because it's just three numbers to look at.

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Instead of having to look through all the or through all the composites. And you're just if you're really in a beef production, you're not a cow calf. Writers are trying to sell necessarily heifers and replacement seed stock. But if you're a beef producer, it really simplifies things down to just three numbers that you can keep track of. Yeah, I think when you start looking at those numbers again, we're using genetics to protect those numbers.

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And in the article it gives some examples. Right. So what the article in 2024. I think the national average for prime grading carcasses on the quality side was about 11%. However, animals coming through this program to US premium beef, those carcasses graded 44% prime. And the quality then to those guys on the backside was a significant increase in the value of those carcasses coming out.

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And that's how US premium beef is able to pay you a premium per head on the cattle that are enrolled in this program and have a score of some kind. So I think the producers can gather some information out of this. It's a win for us premium beef, who's gathering information and getting more predictable cattle to feed. And it's it's a win for the consumer that's getting their product because they're putting out a higher quality, more consistent and predictable product by utilizing this tracing all the way back to the cow calf producer.

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Right. And for the producer themselves. So these genetic merit scorecards GM's if you were beef score. So the score is run from 0 to 201 hundred. Right in the middle is considered the average. So that's pretty easy thing to try to remember compared to that are always moving. But if you're 100 to 150, the premium they were paying was $5 per head at the plant.

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And if you're over 150, they started adding a $10 premium. Well, looking at most premium programs that are out there to be above the cash market and get premiums, a lot of cattle are falling in that range. If somewhere from 20 to $25 is a normal premium that they get. So if you're already getting that and you've enrolled in this program as well, and you're hitting Prime, or you hit that 150 number or higher, you're getting the extra $10.

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When you're normally getting an extra 20 to $25 per head, now you're at 30 to $35 per head. And that, you know, as a premium, that's a pretty big increase on the premium side. You know, now with calves being the price

they're at, you know, three, I think I saw 380 the other day on on carcass weights. What producers are getting paid.

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You know, that doesn't seem like a lot. But when you're getting that extra premium and you're going from 20 to $30, possibly, that's a pretty good increase back to the producer on a per head basis, especially when you start looking at numbers. If you're, you know, if it's 100, that's an extra $1,000. If you're 200, that's an extra $2,000 to you.

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Yeah. And, you know, even if you're a producer that's not getting to that bed deal. Maybe having this genetic merit scorecard opens the opportunity for you to make your cattle more valuable to a different organization or a different group of buyers, having them through IMI global agent sourced verification opens you up to even more. And if you're one of those individuals that does believe the genetics make a difference, and I, it's hard for me to find a producer that would argue with that, that when you enroll in this program and you get some information back, it's something that you can see, even if you're crossing these on a set, a black baldy or Charlotte black

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cross cows coming back with these registered sires, you can see your improvement year over year as you get into these programs and see if you're looking in purchasing the right genetics to make your cattle more valuable to a variety of producers. So you may not be able to get that premium yourself at $5 ahead, but you're probably going to get some kind of significant premium by opening your calves up, being agent source verified to a variety of different markets.

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Yeah. And I think the other thing we we kind of can can conclude and assume, but we're not sure yet. There will probably be others that follow as well that will also use this genetic merit scorecard and any other associations that have similar information or data that they can gather and put together something like this. It will open up more of these.

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So this is just the first year for one that comes from the Angus folks and I. The future is probably going to be out there where, you know, to contract. It may make things easier for producers to contract calves younger all the way for delivery. If it's a genetic based scorecard and we say genetic based, it's genetic based and they use the EPD numbers because the EPP done EPD numbers are based on genetics to come up with these scores on the scorecard.

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And so it's just another tool to help you market. So even if you're wanting to contract a year out, you know, you've got weaned calves, you know you've got another year. They're only 6 to 8 months old, but you've got another year before they're actually going to hit the processing floor. You could contract them based on these numbers possibly.

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Now, if you're the cow calf producer, that you're just going to sell them to the feedlot because that's what you like to do. You don't want to have to deal with them through the winter. You don't want to have to, you know, hold things over. You need your cash money now to help pay operating loans. Whatever the reason is that you you know, that's just your operating M.O. it's another way, if they're going to go to the feedlot and the feedlots going to own them, and they've got that genetic merit score in their hand, and they know that they're going to get an extra 5 or $10, then they may be able to give you

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a few more dollars on the front end of that. Well, I think you've hit it. And it all goes back to the economist in you and me, in our ag business backgrounds. In a lot of this, we know that there are power in numbers and data sets in terms of finding consistency. And as these programs get initiated and started and we have power in those numbers, take advantage of that, because that's the quickest way we can make turnaround in our herd.

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And a feedlot in a beef packing plant is when we know the numbers, and we can root out those issues that we have. So providing consistency, power and numbers. I think that's why you see us premium beef being able to provide these. They're banking that these small returns. And you know today like you said and beef prices five and $10 ahead may be small, but it's a significant premium that they're paying you to get information to make their product better.

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Right. And we've we've said the words before reputation, reputation, cattle. This is a way to quantify your reputation. You may have cattle that always fed well. They always do well on the grid. And you can you can show people, you know, your grid reports and everything else when you get them back. But if you can quantify your reputation ahead of time before they even get to the harvest floor, then that sure makes that.

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Bargaining gives you a lot more bargaining power as a producer than having to wait, take the cash market, and hope for premiums on the back side. If we look at this, there's things out there that we can still capture. Even in a high cattle market. We can still capture more when we

get an opportunity. And with that, I think that'll kind of wrap up this section of Pasture to Profit.

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I'm Travis Taylor, CSU extension livestock specialist for the Golden Plains area, operating out of the Yuma County office. And I can be reached at (970)332-4151. And Scott, if they have questions or comments for you. Yeah. Questions, comments. Or if they have an idea or have a topic they would like for us to cover, they can reach me here in the Kit Carson County office in Burlington, Colorado.

00;14;52;14 - 00;15;00;28
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(719)346-5571. And that concludes this Pasture to Profit. We'll see you next time.

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