

Making the Grade



Wal-Mart's big leap toward Choice beef has had a major effect on the value of Choice-graded beef carcasses this fall while raising the eyebrows of many in the food industry. For years now, the world's largest retailer has marketed a Select-grade, case-ready beef product that has been pumped with a water solution.

This fall, Wal-Mart shifted direction dramatically by introducing a company-wide upper two-thirds Choice program. This strategic move has exacerbated the demand for Choice beef at a time when supplies are already short.

U.S. beef exports, much of which are Choice beef, have reached pre-2003 BSE (bovine spongiform encephalopathy) levels while feedlots remain very current or in short supplies resulting in an industry wide lower percent of Choice graded carcasses. Consequently, the strain in Choice beef demand has created a near record spread in the value of Choice and Select beef of \$20/hundredweight (cwt.). That is about \$150 per head value difference between Choice versus Select grading steers weighing 1,200 lb.

For the past three years, the demand for Choice beef has been in check, and at

times there has been no difference in the price of Choice and Select beef. Higher supplies of Choice beef coupled with a stagnant economy have kept a ceiling on beef cut-out value. During times of low Choice-Select spread, feedlot performance and feed efficiency trump grade every time as they relate to feedlot profitability. This situation is particularly true during times of high ration cost like we have seen in recent years. However, when the value advantage of the Choice grade approaches \$20/cwt., a new signal is being sent through the supply chain telling feeders that quality grade may trump feedlot performance.

From a seedstock standpoint, selection decisions should not be made on a whim and a prayer just because the largest retailer in the world has made a major shift in philosophy regarding the quality of beef it merchandises. Who knows if this demand is sustainable? However, it would be imprudent for Hereford breeders to ignore this trend.

Hereford breeders should strongly consider the implication of carcass quality on the value of their seedstock in the future. Hereford has been a breed of moderation as it relates to marbling.

Despite this fact, Certified Hereford Beef (CHB®) has proven that even at lower degrees of marbling, it performs just as well as Choice beef in overall beef palatability. That being said, if beef customers are requesting higher marbled beef, if only to ensure beef quality, then Hereford breeders must realize that this signal will eventually impact the value of the bulls they are selling.

The Hereford breed undoubtedly has the gene population to engineer cattle that can accomplish all of our industry's needs including maternal performance, feed efficiency and quality grade. For more than 10 years, the American Hereford Association (AHA) has conducted the National Reference Sire Program (NRSP) in an effort to test some of the breed's most popular genetics in all facets of economic importance from birth to the rail.

What we know about marbling within the Hereford breed is that it is the most highly heritable trait we measure with a heritability of .53. What this tells us is that with heritability this high, the breed can make positive change if selection pressure is applied. Furthermore, this change can be accomplished without

negatively impacting maternal or growth performance.

There are numerous examples of how the Hereford breed has been able to raise the bar for marbling during the past 10 years through structured sire evaluation. Since the beginning of the NRSP at Olsen Ranches in Harrisburg, Neb., test progeny have improved percent Choice from approximately 50% in 1999 to 81% Choice in 2011.

Furthermore, there are Hereford bulls that have been identified whose progeny have graded 100% Choice (see past "Performance Matters" columns).

One of the most meaningful NRSP findings has been the high correlation between percent Choice progeny and the bulls' marbling expected progeny differences (EPDs). The AHA's ultrasound program, in conjunction with structured sire evaluation, has done wonders for identifying Hereford genetics that can make the grade.

If the demand for Choice beef continues to drive markets, rest assured Hereford has the tools to meet those demands today and in the future. **HW**