



the **FACTS**

Understanding Increasing Carcass Weights

The Bottom Line

Heavy carcass weights are here to stay. The economic signal demanding lighter middle meats needs to be at least \$1.50 to \$2.00 per pound, rather than \$0.40 per pound, to counter the forces at the production level to make cattle heavier.

Alternative fabrication and merchandising methods of middle meats are one of the best options to provide customers a thick steak while still balancing portion/unit cost.

The Trend

- ★ Carcass weights have increased an average of 5 pounds per year since the mid-1970s.
- ★ During the last 2 years, carcass weights increased an average of 8 pounds per year. This trend is likely to continue.
- ★ In 2005, fed cattle carcass weights averaged 792 pounds. It is reasonable to expect the average to increase another 50 pounds (approx. 850 pounds) before the trend levels off due to challenges in carcass processing and fabrication.
- ★ Keeping cattle on feed longer tends to increase both quality grade and carcass weight. As a result, *Certified Angus Beef*® brand carcasses averaged 800 pounds in 2005. They averaged 6 pounds more than the national average, over 5 years.

The Cause

Economics drive the decision to feed cattle to a heavier carcass end point.

Economics for added carcass weight:

- ★ Cost of gain (corn prices)
- ★ Feeder cattle price
- ★ Fed cattle price

In general:

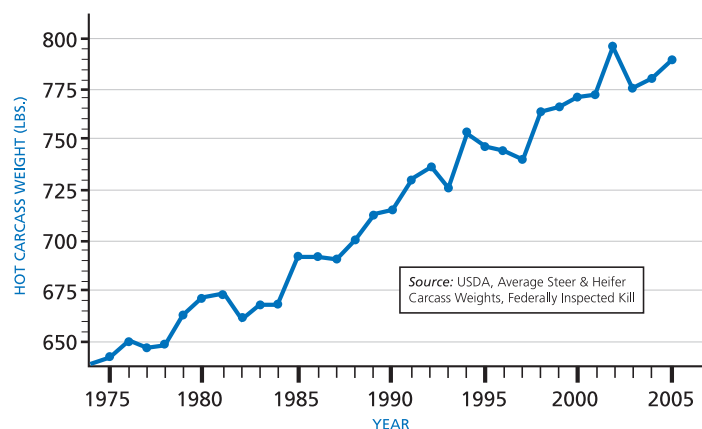
- ★ Supply and corn prices drive feeder cattle prices.
- ★ Feeder cattle prices in relation to fed cattle prices drive final live weight.

In 2005, the spread between the feeder cattle and fed cattle price was record wide. When coupled with low cost of gain (i.e. cheap corn) the economics dictate that cattle are fed to heavier weights.

The Effect

- ★ As carcass weight increases, all primal cuts increase in weight proportionately.
- ★ For example, the wholesale rib represents approximately 10% of the total carcass weight. Regardless of the total carcass weight, each primal will consistently represent a similar percentage of the carcass weight.

Carcass Weight Trend



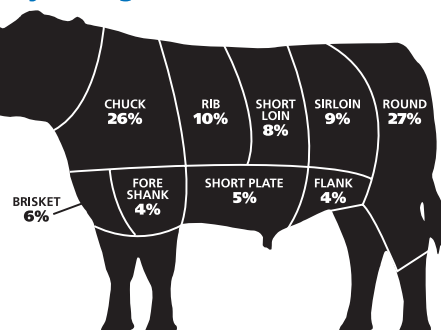
Feedlot Economics for Increasing Carcass Weights

2005 Cattle Prices • 750 lbs. Steer costing \$110/cwt. = \$825 initial cost • Fed steer price = \$87.50/cwt.

Final Live Weight, lbs.	1,150	1,250	1,350
Projected HCW, lbs.	725	785	850
Live Wt. Gain, lbs.	400	500	600
Cost of Gain, \$/lb.	\$0.49	\$0.51	\$0.53
Total Cost of Gain	\$196	\$255	\$318
Total Investment	\$1,021	\$1,080	\$1,143
Breakeven, \$/cwt.	\$88.78	\$86.40	\$84.67
Profit or Loss, \$/head	-\$14.72	\$13.75	\$38.21

Bottom Line Difference = \$52.93/head

Lip-on Ribeye Weight in Relation to Carcass Weight



HCW	RW	AWR	HCW	RW	AWR	HCW	RW	AWR
600	10.2	7.7-12.7	650	11.1	8.6-13.6	700	11.9	9.4-14.4
750	12.8	10.3-15.3	800	13.6	11.1-16.1	850	14.5	12.0-17.0
900	15.3	12.8-17.8	950	16.2	13.7-18.7	1,000	17	14.5-19.5

HCW=Hot Carcass Weight RW=Ribeye Weight (NAMP 112A) AWR=Approx. Weight Range
Adapted from NAMP & Certified Angus Beef LLC. NAMP 112A represents approximately 3.4% of the hot carcass weight.