

Slaughter disruptions have shifted the primary focus away from the quality of cattle moving through the system. Feedlots are wrestling with managing capacity, cattle weights, feed rations, and attempting to mitigate large quality discounts.

USDA AMS releases a variety of carcass characteristics and premium and discount information. The increase of backlogged cattle which will hit the slaughter channel as over-finished fatter cattle. One of those characteristics is the yield grade data through the [tonnage reports](#) for beef, lamb, and veal released by USDA AMS. This data is available through the end of April at the time of this writing. Yield grades address the amount of fat on the carcass. May is likely to show intensifying trends. Since the volume of cattle sent to slaughter was smaller, we will compare the percentages of yield grades.

Most fed cattle in the U.S. are not yield graded, but it still provides some indication of trends. Yield grade of 1, the lowest amount of external fat, in April 2020 was almost 5% of the cattle, a 7 tenths of a percent blow last year. Yield grade 2 also saw a decrease from a year ago, coming in a 33.89% of the cattle, down 1.23% from last April. Yield grades 4 & 5's both saw increases compared to a year ago. Yield grade #4 had the highest increase and absolute change compared to any of the yield grades, up 1.6% from last year.

The cutability is another characteristic that bequeaths discounts and premiums specifically related to external fat characteristics. The preliminary yield grade (pyg) is based on the inch of fat opposite the ribeye. The baseline is 2" or under, which on average in the 5-area resulted in a \$5.43 per cwt premium in April, for fat totaling 2-2.5", the premium was \$2.47, and for thickens 2.5-3.0" the premium is \$2.37 per cwt. Those premiums have held through the first week of the June. Fat thickness of 3.0-3.5" and 3.5-4" resulted in neither a discount or a premium. Discounts start to add up for categories defined as fat thickness 4-5" and 5" and up. Those categories resulted in discounts of \$9.80 per cwt for 4-5" and \$14.96 per cwt for 5" and up in April. Fat thickness 5" and over has eased discounts since April and now is listed as \$11.55 per cwt.

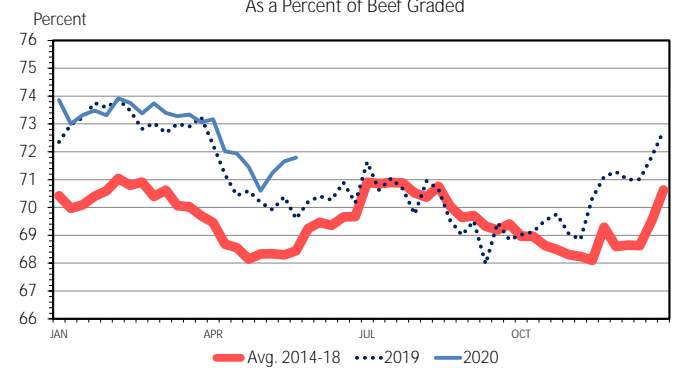
Discounts are also applied to cattle that dress outside the 600-900 pound dressed weights. Discounts for cattle dressing at 900-1050 lbs. have been between \$15.00 to \$0 per cwt in the 5-area. Cattle dressed weights over 1050 lbs., faced discounts of \$25 to \$10 per cwt in April, and that range has widened in May and June to \$25 to \$0 per cwt. For a summary on beef quality and yield grades visit [here](#).

Most fed cattle are now graded on a quality grade basis (Prime,

Choice, Select, Standard, and Utility) and those grades have improved. Beef quality grades have shown increases in Prime, and Choice graded beef as cattle have put on more weight. Nationally, March and April Prime graded beef were just over 10% of USDA graded cattle. May figures show that number has jumped to average just over 12% weekly during the month of May. Last year May grading of Prime was only 8%. Choice graded beef in the last three months has also been above a year ago, though in part because of the drastic slide in grading percents seen last year. Select graded beef continues to decline as a percentage of graded beef in favor of higher quality carcasses. March and April averaged between 13-14% weekly, while May figures dropped consistently between 12-13%. May 2019 Select averaged over 18% weekly.

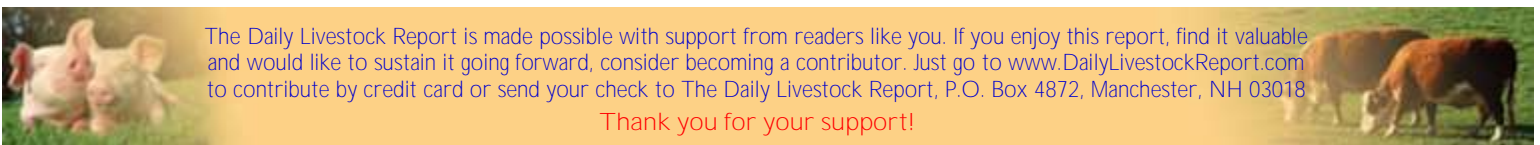
The number of head slaughtered in May are likely to come in about 25% below a year ago, suggesting slaughter-ready cattle continue to be held on feedlots. Even as the slaughter picture improves, the effects of keeping animals on feed will lead will linger until those cattle are worked through the slaughter system. Quality discounts will be applied to these overweight cattle, and likely more than one, either for cutability, or higher dressed weights. The good news it that for most of these characteristic premium and discount schedules have stayed the same over the last three months, if not improved. This may have more to do with packer relations more than an indication that cattle quality is not suffering as a result of decreased slaughter capacity.

BEEF GRADED CHOICE
As a Percent of Beef Graded



Data Source: USDA-AMS
Livestock Marketing Information Center

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