
Source & Age Premium Expected to Decline

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According to an article in CattleFax “Trends,” premiums paid by packers for cattle that are age verified as being under 21 months of age will decline in 2012. Over the past several years premiums have ranged from \$12 to \$45 per head depending on the packer and time of the year. Premiums declined this Spring and are expected to decline even more next year.

Following the BSE case in December of 2003, the Beef Export Verification (BEV) program was put into place after negotiations with countries to which the U.S. exported beef. In particular the BEV had to meet one of two requirements for U.S. beef to be exported into Japan: 1) beef had to be sourced from cattle less than 21 months of age, and 2) beef carcasses evaluated by USDA meat graders had to be from cattle identified as A40 (about 18 months) physiological maturity of younger. USDA’s Agricultural Marketing Service estimates that about 8 percent of the cattle graded meet this latter requirement.

Both of these factors have impacted the premium paid for source and age verified cattle at the feedlot level. Furthermore, some of that premium has been passed back to producers of age verified feeder cattle based on market prices received. The packer paid premiums have been larger in the Winter and Spring months when numbers of age verified cattle are fewer. Once the calf fed cattle began being harvested in greater numbers (late Spring and Summer) from feedlots, the premiums paid by packers declined.

In my July article, I indicated that feedlot buyers needed to increase the premiums paid for age verified cattle if they wanted more loads of mostly commingled age verified cattle from the Southeast. Based on later reported information, packers are getting more age verified cattle, so cattle buyers may well not see the need to pay larger premiums to producers of feeder cattle. Data from the Superior Livestock Auction calf sales indicated that the percentage of source and age verified calves has increased from 6.6 percent in 2005 to 48 percent in 2010. Data for 2011 is not complete, but it appears that the percentage of source and age verified calves will easily top 50 percent. In addition more packers are working closely with the USDA to identify A40 carcasses, lessening the demand for source and age verified cattle.

CattleFax expects the premiums for source and age verified cattle next Spring to be the smallest since the program began in 2005, due to the larger population of cattle qualifying for export. Producers retaining ownership should anticipate source and age premiums to be one half of what they received in 2011. For feeder cattle sold in Tennessee, premiums for age verified calves would also likely decline, if the reduction is seen at the feedlot packer level.