

GENETICS VALUED OVER HIDE COLOR

Feedlot Managers Desire Change in the Feeder Cattle Market

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Primer on Color

The U.S. feeder cattle market is known to judge value superficially. Hide color is only skin deep. Yet it plays an oversized role in price determination. Cattle performance, efficiency and carcass quality exhibit a low correlation to the color of an animal's hide. Good, mediocre and poor cattle come in all colors and color combinations, which makes predicting performance outcomes based on this one characteristic difficult at best.

An outsider might observe how the feeder cattle market operates and ask the following questions:

“Explain the rationale behind hide color playing such an influential role in pricing feeder cattle and calves?”

“If cattle producers understand that color is a poor predictor of cattle performance, then why does it continue to affect pricing decisions?”

“Can technology be leveraged to objectively score the genetic merit of individual groups of feeder calves, rather than making inferences based on their hide color?”

Industry participants would likely respond with a conciliatory shrug. We can indeed find more favorable methods of price discovery in the feeder cattle market, and we should. The stakes include our long-term success and the sustainability of the beef business, not to mention our livelihoods. We should not stay focused on superficial traits while the world around us, including our competition, measures and improves real value attributes in their products.

Cattle feeders strongly desire to move beyond hide color, as the survey results presented here will attest. The time has come to change the way cattle are valued at the fundamental market interface between ranchers and feedlots.

To make progress toward a brighter tomorrow, we must first understand today's feeder cattle market. The step after that is to determine where the collective industry desires to go in changing the market for the better. This paper addresses both issues.

Introduction and Objectives

Cow-calf producers, stocker/backgrounders and cattle feeders experience daily how the feeder cattle market functions. They have first-hand knowledge about what determines value, because they are in the middle of the action buying and selling. Cattle feeders, in particular, play a foundational role in the feeder cattle market. Individual feedlots incrementally contribute to how the market establishes value, but they are also subjected to its broader forces independent of their own actions. To date, however, their satisfaction with how the market operates – how it establishes differential value from group to group – has not been assessed.

The objective of the survey presented here was to gather information, opinions and attitudes about how cattle feeders view the emphasis on hide color in the feeder cattle market. Additional input from buyers, backgrounders, auction managers and industry experts was also collected on a smaller scale.

The survey examined three important subjects. Initial questions provided an appraisal on how the market currently operates, its congruence (or the lack thereof) in making appropriate valuations from one group of feeder cattle to the next. Second, there was a look back at the contribution hide color has made to historical improvement in feeder cattle quality. Finally, participants were asked to think about the future and consider market changes that may be required to extend the industry's progress.

Methods

From October 2021 through February 2022, the Red Angus Association of America conducted a survey of cattle feeders and other beef industry participants (specified above) via phone and email. The feeder cattle market was the sole focus of the survey. Engagement was outstanding with less than a 2% decline rate. Phone conversations provided the best approach for collecting responses to the eight-point questionnaire. Questions were proffered in a sequential, multiple-choice format and responses summarized in percentages. Post-survey observations and comments were gathered from a large number of participating cattle feeders.

Resulting survey data was evaluated by livestock economists at Kansas State University, Oklahoma State University and the University of Nebraska, as well as being analyzed by the RAAA. Specific economist comments are identified accordingly in this report.



Demographics

There were 252 respondents to the survey. By design, cattle feeders represented the largest group at 214 or 85% of the total. The combined feeding capacity they own and/or manage exceeds 5.4 million head, representing approximately 35% to 40% of the industry's aggregate capacity. Feedlots ranged in size from 1,000 to more than 100,000 head, and included many multi-yard complexes with the ability to pen hundreds of thousands of cattle on any given day. Average feedlot size was 28,130 head.

Feedlots were surveyed in the following locations: Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, Oregon, South Dakota, Texas and Washington. Respondent experience was not specifically measured, but it is reasonable to estimate that a high percentage have been directly involved in buying and feeding cattle for 20 or more years.

Combined cattle market expertise of the respondent group is immeasurably high. They account for a sizable portion of cattle business transactions day to day, being constantly active in the feeder cattle trade. They know the market and are in an excellent position to pass judgment on how it performs.

Of the remaining 38 respondents (252 – 214 = 38), six were buyers, 11 were auction managers and 21 were identified as industry experts, with employment in various facets of cattle-related agribusiness or education/Extension.

Results

Responses are summarized below for each of the survey's eight questions.

Questions 1 and 2 assess the influence of hide color in today's feeder cattle market and the presence of price premiums associated with a black hide.

Questions 3 and 4 are focused on the potential association between hide color and overall cattle quality.

Questions 5 and 6 consider the respondent's desire to keep the market as it is today, retaining a sizable influence from hide color, or replacing color with objective genetic information.

Questions 7 and 8 continue to probe genetic and genomic information as a potential replacement for color, as well as contemplate its predictive power.

Cattle feeder and non-cattle feeder answers aligned closely on all eight questions, and are therefore presented together. One notable difference is that non-cattle feeder respondents were slightly more extreme in their views, and were more likely to use "strongly agree" or "strongly disagree" in their answers.

Question 1:

Hide color significantly affects prices paid for different groups of U.S. feeder cattle.

Agree/Strongly Agree 95%

Unsure..... 2%

Disagree/Strongly Disagree..... 3%

Most frequent response:..... Agree

Question 2:

Black-hided feeder cattle and calves frequently bring a higher price than non-black-hided cattle of equal weight, quality, sex and health history.

Agree/Strongly Agree 94%

Unsure..... 3%

Disagree/Strongly Disagree..... 3%

Most frequent response:..... Agree

Economist Comments

Respondents recognize that hide color significantly affects prices paid for feeder cattle and that black-hided feeder cattle frequently bring higher prices than non-black-hided feeder cattle. These sentiments were similar across feedlot capacities and feedlot locations.

This sentiment has been documented in feeder cattle pricing research. Published research confirms black-hided feeder cattle generally receive premiums ranging from \$1.80 to more than \$4.00 per cwt compared to other hide-color lots sold at auction (Williams et al., 2012; Zimmerman et al., 2012; and Martinez et al., 2021).



Genetics Valued Over Hide Color

Question 3:

Black-hided feeder cattle are superior to non-black cattle of equal weight, sex and health history.

Agree/Strongly Agree 13%

Unsure..... 12%

Disagree/Strongly Disagree..... 75%

Most frequent response:.....Disagree

Economist Comments

The market tends to price black-hided feeder cattle higher compared to non-black cattle (Question 2). However, a sizable majority of cattle feeders and other respondents do not believe black cattle are inherently superior to non-black cattle. Overall, 72% of cattle feeders and 89% of others surveyed disagreed/strongly disagreed with black-hide superiority. Similar perspectives were found across feedlot size and location.

Question 4:

During the past 25 years, emphasis on black-hided animals has helped the beef industry advance in a positive direction relative to overall feeder cattle quality and value.

Agree/Strongly Agree 73%

Unsure..... 17%

Disagree/Strongly Disagree..... 10%

Most frequent response:..... Agree

Economist Comments

Respondents generally agree/strongly agree that emphasis on black-hided animals has historically helped the beef industry improve feeder cattle quality. There was a similar level of agreement across feedlot size (71% to 79%). Feedlots located in the Northern Plains agreed less with this statement (68%) compared to those located in the Southern Plains (77%). The perception that emphasis on hide color has helped the industry improve feeder cattle quality is consistent with research demonstrating black-hided cattle with a higher percentage of Angus were associated with improved feedlot performance and higher quality grades, though poorer yield grades (Corah et al. 2010).

Question 5:

For the beef industry to continue improving its overall cattle quality and value, hide color must remain an important price-determining factor in the U.S. feeder cattle market.

Agree/Strongly Agree 11%

Unsure..... 18%

Disagree/Strongly Disagree..... 71%

Most frequent response:.....Disagree

Economist Comments

Respondents generally disagreed/strongly disagreed that hide color should remain an important factor for improving feeder cattle quality and value. This sentiment was similar across feedlot location and geography. Just over 60% of large feedlots felt hide color was not important for improving cattle quality and value in the future, though nearly a quarter were unsure. This contrasted somewhat with the smallest yards, with 79% of respondents disagreeing or strongly disagreeing that hide color needs to remain an important price-determining factor.

Question 6:

For the beef industry to continue improving its overall cattle quality and value, hide color should be replaced with more objective genetic criteria as a key price-determining factor(s) in the U.S. feeder cattle market.

Agree/Strongly Agree 92%

Unsure..... 6%

Disagree/Strongly Disagree..... 2%

Most frequent response:..... Agree

Economist Comments

Survey participants believe hide color should be replaced with more objective genetic measures to further improve cattle quality, feeding performance and in valuing feeder cattle and calves going forward. Overall, 93% of cattle feeders and 90% of other respondents agreed/strongly agreed that hide color should be replaced with more objective genetic criteria as a key price-determining factor in the feeder cattle market. This sentiment was consistent across feedlot size (89% to 96%) and feedlots located in the Southern and Northern Plains (93% to 96%).



Question 7:

The use of specific genetic or genomic information on groups of feeder cattle would be preferable to hide color as an important price determinant in the feeder cattle market.

Agree/Strongly Agree 88%
Unsure..... 9%
Disagree/Strongly Disagree..... 3%

Most frequent response:..... Agree

Economist Comments

Participants agreed/strongly agreed that genetic or genomic information would be preferable to using hide color in the effective pricing of feeder cattle. Opinions were consistent among cattle feeders and other respondents, and also across feedlot size and location.

Question 8:

Specific genetic or genomic information on groups of feeder cattle more strongly correlates to actual feeding and carcass results than does hide color.

Agree/Strongly Agree 93%
Unsure..... 6.6%
Disagree/Strongly Disagree..... 0.4%

Most frequent response:..... Agree

Economist Comments

Participants agree that genetic and/or genomic information is more strongly correlated to actual feeding and carcass results than hide color – 93% of feeders and 95% of others agree/strongly agree with this statement. There was a similar level of agreement across feedlot size and location.

Discussion: Part I

Cattle feeders and other respondents have strong opinions on the feeder cattle market. They understand how the market works and how value is established. Collective opinions on Question 1 and Question 2 are not surprising to anyone familiar with market pricing practices from one feeder cattle group to the next. Yes, hide color does have a significant impact on price discovery in the feeder cattle market. Yes, black-hided cattle tend to bring more than non-black cattle, other factors equal, though not in every location, season of the year or by a consistent dollar amount.

Almost every black calf born in the U.S., whether it contains Angus influence or not, has the potential to qualify for Certified Angus Beef, or similar programs requiring a black hide for initial eligibility. There is the possibility that an upper 2/3 Choice grid premium could be received on such a calf after it is grown, finished in a feedlot and harvested. Some or all of that premium potential becomes built into its value at lighter weights. This is how the market functions and the manner in which it values

color. A black hide presents the possibility of extra grid dollars. Groups of black or predominantly black cattle could be easier to sell in certain situations for the same reason. The chance for grid premiums on the upper 2/3 Choice carcasses that such cattle may produce is generally price supportive.

Non-black cattle typically have less access to premium branded beef programs and, as a result, often sell below where they would if they were black hided. Prime quality grade premiums, which are available on nearly every grid and are routinely agnostic to hide color, serve as a notable exception to this difference.

Cattle feeders and packers typically capture larger profit margins on animals with a high gross value per head, which is most affected by pounds and marbling, in that order. Finished cattle with excellent growth rates, heavy weigh-ups and strong quality grade profiles are the goal. However, when buying individual groups of feeder cattle or calves, predicting such favorable outcomes, or the lack thereof, can be difficult. When asked what type of feeder cattle they prefer to buy, feedlot managers often answer with a single word – “predictable.” Predictability is an ongoing challenge. How a given group of feeder cattle will perform in the feedlot and on the rail is hard to project, especially when hide color and limited other information is the only data available. One Texas cattle feeder summarized this thought, when he said, “All black means anymore is black.” To paraphrase: Hide color is not acceptably predictive.

Black-hide market mechanics are well understood by survey respondents. One might therefore suppose that cattle feeders and others are content with how the market operates. However, responses to Question 3 offer a much different perspective. Three-quarters of respondents do not agree that black-hided feeder cattle are superior to non-black cattle. Only 13% agree.



Market incongruence is thus revealed. Answers to Question 2 confirmed that black-hided cattle frequently bring more on sale day, yet responses to Question 3 indicate those same black-hided animals are not superior and therefore not worth more as an overall group. From a buyer's point of view, paying a higher price should be associated with greater quality and performance potential. Otherwise, an uncomfortable inequity occurs. Paying more for non-superior animals does not make sense. Cattle feeders, being logic-based thinkers and bottom-line business people, see this as a problem and believe the situation needs to change.

Question 4 probed the historical perspective on the market's black-hide emphasis, experienced now for multiple decades, and asked whether it has helped the industry improve. A strong majority of 73% said yes, the industry has seen feeder cattle quality and value move upward in significant part because of the emphasis on black hides. Good has been accomplished, according to most survey respondents.

In their comments, cattle feeders were quick to credit the Certified Angus Beef program, along with marketing efforts by the American Angus Association, for this favorable impact and beef quality mindset their work brought about. Beef demand is better today, and cattle quality has improved significantly over time, because of Certified Angus Beef and the ripple effect it created throughout the beef business.

Discussion: Part II

To capture a forward-looking perspective, Questions 5 through 8 explored how the industry will be best served in the years ahead. Should hide color remain an important price-determining factor in the feeder cattle market? Question 5 raised this important consideration, and respondents reject that possibility outright. More of the same with strong emphasis on hide color is not what a 71% majority prefer. Only 11% desire to stay the course and even that group is not hard set on keeping hide color in a key price discovery role. That fact comes to light when Question 6 is evaluated.

Keep in mind that survey participants have known little else during their careers other than a market in which hide color matters. Color has affected feeder cattle prices for a long time. Cattle feeders in particular are familiar with how the market functions in that regard. Still, they reject the notion that the future should be like the past. Keeping color in its current position of influence does not appeal to them.

Question 6 presents a potential replacement for hide color in the form of objective genetic information. Groups of feeder cattle being offered for sale with specific information about their genetics, and having that genetic data drive pricing decisions, regardless of hide color, is their preference for the future. An immense 92% of all survey respondents feel this is a better path



forward and that it will drive more improvement in feeder cattle quality and value over time. Only 2% felt otherwise.

Questions 5 and 6, when analyzed together, strengthen the point about moving beyond hide color. When answering Question 5, a total of 29% of respondents either agreed color should remain important in price discovery (11%) or were unsure (18%). That same group, however, when subsequently presented with an alternative to the current market's approach in Question 6, answered 89% in the affirmative to replace hide color. Their responses were nearly as high in choosing genetic information over color as those who immediately rejected keeping hide color in Question 5.

Responses to these two questions, as much as any other portion of the survey, speak loudly to respondent dissatisfaction with how the market currently operates with its emphasis on a superficial trait. Cattle feeders would not be so desirous of changing the way the feeder cattle market works, if they believed it adequately met their needs and those of the industry.

Question 7 is similar to Question 6, assessing whether genetic or genomic data on individual groups of feeder cattle would be preferable to hide color as an influential price determinant. Cattle feeders and other respondents again answered with a very strong yes vote at 88%. Only 3% had a contrary opinion.

There were numerous comments made about the importance of genetics and genetic differences in cattle, as well as how these differences are observed within and between breeds. Genomics was mentioned less frequently, but there is a measure of awareness that genomic testing is becoming important in the commercial cattle population and that this technology can provide useful predictions about performance potential for individual groups of feeder cattle.

Hide color as a surface-level trait cannot compete with genetic information. Survey respondents believe genetic and genomic information has superior predictive capability over hide color, as shown in their answers to Question 8. They want to go more than an 1/8 inch deep. Genetic and genomic information do that, reaching into the animal's DNA and mining important data that more accurately predicts growth and carcass outcomes.

Economist Comments

Hide color was not generally considered a useful indicator for the beef industry to continue improving feeder cattle quality and value. DNA-based information to aid in the production and marketing of feeder cattle will continue to advance, likely becoming routinely feasible, and may reduce reliance on phenotypic characteristics such as hide color in determining cattle value. Commercial enterprises have recognized this potential and introduced products and programs to quantify this information (\$Beef, Top Dollar Angus®, Angus Link® GMS, Igenity Beef® scores, Inherit and others). These tests rely on expected progeny differences, \$Indexes and/or genomics.

Further genetic testing will first enhance and then move beyond EPDs as well as phenotypic characteristics, to provide information to assess the value of cattle (Segers and Lourenco, 2019). Thus far, DNA testing has been used primarily by the seedstock sector for genetic verification and selection and by some commercial operations, especially for parentage determination in multi-sire production systems (Van Eenennaam, 2015; Van Eenennaam and Drake, 2012).

Overall, survey participants agree that these or similar programs would be preferable to using hide color in pricing feeder cattle.

Implications

Suppose the automobile industry suddenly decided white cars had great appeal. They quit considering engine size and fuel economy. Differences in transmissions and occupant capacity were ignored. Power windows and leather seats became something to pass over with a yawn. No matter if tires were brand new radials or a worn set of bias plies. White paint became the key factor on which to focus.

In short order, there would be more white cars on the road (and parked on the shoulder) and less emphasis on real value attributes. We would look at decision-makers in the car business and wonder how they lost their collective minds.

This analogy is obviously hypothetical and perhaps a bit extreme, but it makes an important point. When superficial characteristics are emphasized and rewarded, progress on what actually matters inevitably slows down. Real value attributes receive less attention. There is also confusion and inequity in the market place, as real and not-so-real value traits battle for position.

Example

A group of feeder steers weighs 800 pounds and is black-hided but has little to offer otherwise. They represent a genetic mystery, with no information of any kind available on their genetic background. A second group of steers also weighs 800 pounds and has verified superior genetics and multiple other real-value attributes, but they are not black. How should each set be valued? Short answer: The relative pricing of one group versus the other becomes complicated by a collision of the superficial and the real.



Survey respondents believe the current hide-color emphasis has endured past its point of greatest benefit and needs to be replaced. They seek a more objective market. One that establishes prices with little or no influence from hide color. They want pricing decisions based on value-oriented, objectively determined attributes, such as the genetic potential for growth, efficiency and carcass performance.

Weaning and health status will obviously remain critically important in the feeder cattle market of the future, as will flesh condition, implant history and program qualification (Natural, NHTC, GAP, Beef C.A.R.E and others). However, when it comes to using hide color and what color attempts to predict, respondents are ready to move on.

A Kansas feedlot manager said, “Black cattle are not even black Angus anymore. Focusing on hide color could be an impediment to the industry’s future.” His salient point: There cannot be an undistracted focus on improving traits of real value when hide color plays an influential role in price discovery. Important market signals become mixed with noise and static about color. The result is a partially compromised signal that slows the industry’s genetic progress and may reduce advances in other value-creating characteristics as well.

“Going in the direction of genetics would be beneficial to producers and cattle feeders. It would open doors for both,” according to another cattle feeder respondent. Speaking from the consumer’s point of view, an Oklahoma feedlot manager said, “No one cares about the color of the hide when they’re eating a steak.” Many more interesting and insightful comments were made by participating cattle feeders and are presented in Appendix A.

It should be understood that the survey results presented here are not anti-Angus or anti-black. They are not pro-red, pro-white or pro any other color. Respondents do not view one color as inherently better or worse than another. They want to progress entirely beyond hide color and focus on real value attributes that affect real cattle performance, efficiency and carcass results. Color cannot adequately serve that purpose any longer.



Conclusion

The survey was initiated not knowing what the responses would show. What we found was a high level of frustration with how the feeder cattle market uses hide color in the value determination process. We also discovered a strong desire to see the market transition beyond the superficial to objective value attributes, especially genetic and genomic information. Given the sample size represented, these results accurately portray the sentiment of the cattle feeding sector and many others in the industry. The logic of moving in the direction they desire is hard to argue against.

Emphasis on hide color is not an impenetrable barrier to progress, but it does stand as a significant encumbrance. Placing greater emphasis on real-value-creating traits will yield more valuable cattle over time and do so more rapidly.

The large number of cattle feeders and others who responded to the survey believe the beef industry would be better served and more prosperous over time if hide color was replaced by more objective genetic and/or genomic information on individual groups of feeder cattle. In the months and years ahead, we should all join them in making this vision a reality.

Acknowledgments

Conducting this survey by asking busy, hard-working people for their time and expertise provided a first-hand reminder that cattle people are some of the best in all humanity. They willingly took time to consider the questions, provide thoughtful answers and discuss their perspectives with candor and passion. They genuinely care about the future of the beef industry. This report is dedicated to them.



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Appendix A

Cattle Feeder Comments – Grouped by topic and presented in no particular order.

Genetics & Quality

- All that is black is not Angus. It should be about quality.
- Quality should come first over color. We have to stay focused on what consumers want.
- A black hide does not necessarily correlate to a quality carcass.
- It's about quality more than hide color.
- Genetic merit of the animal should stand alone.
- Hide color does not mean %&@!. Genetics are what matter.
- Lots of good genetics outside of hide color. Some black-hided cattle are not that great.
- We feed blacks, reds and Chars. We look for quality, not hide color.
- We have too much associated a black hide with a quality carcass. CAB has been excellent, but the next step is specific genetic information.
- Packers want to know the percent black. It's B.S. People have worked to improve their cattle regardless of breed.
- The hide does not matter, it's the carcass that counts.
- I do pay more for black, but genetics only play one part. Condition, age, vaccination, group size also play as big of an impact as genetics.
- Lots of genetic progress has been made in all breeds, especially Black and Red Angus.
- Quality grade is what's essential.
- There is too much of this "they're all black" stuff. I want to know what I'm actually buying.
- Hide color moved the industry forward in the beginning, but not so much now. It's the genetics, not the color of the hide.
- Personally, I don't care about hide color, but some programs require a black hide. It should just be about quality and pounds.



- Frustrating for us to see the non-blacks bring \$5 back of the blacks for the same quality.
- I don't care about how black they are; I care about their quality.
- Bigger ranches are doing many things right, including their genetics.
- Producers need to spend the time and money to improve their genetics.
- We buy feeders every week. Just because they're black does not make them good.
- Genetics affect things to a greater degree than color. There is too much crisscrossing just to get a black hide. Blacks do not always grade like you'd think they should.
- Going in the direction of genetics would be beneficial to producers and cattle feeders. It would open doors for both.
- Black hides make flaws harder to see. We see more fine-boned cattle and dinks with the blacks.
- Just because they're black does not make them good; does not make them yield, etc.



- People raising blacks have focused on color. Those raising non-blacks have focused on quality.
- Performance is the same or better with the non-blacks.
- We just want them to perform.
- There's been an over emphasis on black and an under emphasis on quality.
- Genetics and genomics will play a bigger part in the future. Genetics are what matters.
- Hide color has helped the industry, but now it should become about genetics.
- Some blacks are so mongrelized it may affect the consumer's eating experience. Need data and genomics to back up hide color.
- Everyone wants black, but it's debatable whether they are better. There is more we can do if we look at their genetics.
- I've seen some sorry black ones and some good ones too, of course.
- It's about conformation and genetics.
- It's about a lot more than hide color. Just the other day I had a set of blacks grade 50% Choice and a set of Mexican Char crosses that went 70% Choice.
- We've created some sorry blacks along the way. Genomics will sort it out in the future.
- Not all blacks grade either.
- Just because they are black does not mean you'll get the performance and carcass results you expect.
- Blacks may grade a tick better, but there's lots of other important factors, like days on feed.
- When you rip off the hide, it's about the carcass.
- We feed a lot of black cattle, but do not know their genetics. There are good Angus cattle out there, but also a lot of crossed-up blacks. It really needs to be about the carcass results.
- Definitely agree with the gist of your last three questions. We try to buy cattle with superior genetics.
- Angus has done a good job advancing the beef industry through their marketing programs. But it's not necessarily a better steak because it came from a black steer.

Color & Breeds

- In the past, the industry has emphasized color more than we should have.
- Cheater blacks are not where it's at.
- This black-hided thing is overdone.
- There are lots of poor cattle that are black hided. The industry needs to look at more than hide color.
- The last few questions line up with my thinking. Hide color is not the end-all be-all.
- A black hide does not make them superior.
- Does not even have to be a good black to be black.
- We get no assurance at all with hide color. Blacks are not blacks anymore.
- Just because they're black does not make them good. But it is hard to swim upstream.
- Unfortunately, there are a lot of black bulls out there that don't give you what you need.
- A black hide does not mean a \$#&@! thing.
- Hide color has been tied to a marketing campaign more than to real cattle performance.
- Frustrating to see the discounts on reds and Char crosses. I do not make the rules, but it does not seem right.
- Clinging to a black hide may sink our ship. We should not go off of hide color anymore. Should use more objective traits.
- It's time we get back to reality on hide color. Things need to change.
- Not all black-hided cattle are good.
- There's too much emphasis on black.
- I can't believe this black emphasis has gotten as extreme as it has. We all know it has nothing to do with the quality of the animal.
- Black does not mean anything.
- Not all black cattle are equal. Black does not mean Angus.
- The black hide has become a cop out for buyers and sellers.
- All black means anymore is black.
- This black-hided deal has become extreme to ridiculous.
- Black cattle are not even black Angus anymore.
- There is a lot of black influence in the market, but the right reds and whites perform just as well.
- No one cares about the color of the hide when they're eating a steak.



- Black is the predominant color, but there is so much blending of breeds.
- Hide color emphasis has thrown a wrench or two into how people value feeder cattle.
- We need to move on beyond hide color.
- No integrity in Angus brands. Certified Angus may not be Angus at all.
- The best cattle we feed – bar none for performance and carcass – are a group of Red Angus.
- The reds and the smokies can be just as good as the blacks, if not better.
- Angus has done a great job with their marketing. However, genetics should be what matters.
- Blacks are not necessarily better than other cattle, but AAA and CAB have done a great job marketing. (Also mentioned a great set of Red Angus x Chars he feeds)
- Hide color is a bigger deal than it needs to be. CAB has done a good job marketing their program.
- It's been tough marketing non-black cattle recently. Char x Red Angus and Char x Angus cattle are discounted and should not be.
- Reds get the short end of the stick.
- Black is being pushed because of marketing programs, not because black cattle are always better.
- Black and Red Angus – peel the skin off and they are the same.
- Angus has done a great job promoting their product.
- Lots of black cattle piggy-backing on CAB. Many are not that great; some not worth a flip. Red Angus should be included in CAB, because they are Angus.
- Black is not so much Angus anymore.
- We get some cattle out of the east that are just spray-painted black.



Health & Heat

- Big strides in genetics have been made. Health is getting worse, however. More atypical interstitial pneumonia and late-day deads, and these things are worse with a black hide in the summer.
- Hide color has more influence on price than it should have. It's hurt us with health. That's not the way it should be. Hide color is not quality.
- There's been so much emphasis on carcass merit that health has suffered.
- We have lost some hybrid vigor and health to get a hide color. I like to feed the Char x Angus crosses.
- Just to say black is the way to go – I strongly disagree with that. They can't handle the heat like the reds and Chars.
- There are three months out of the year when I'd rather not feed a black one.
- Blacks can't take the summertime down here (TX). It hurts their conversions. Red crosses are more adaptable.
- Good Red Angus will compete with black Angus, probably better in the summer due to hide color.
- Some of the best cattle we see are red hided. Better for hotter weather.
- Red cattle do handle the heat and humidity better.
- We may have pushed carcass genetics to the point of hurting health. Don't forget about health. It has gotten worse in the past five to 10 years.
- We see health issues with the long-day blacks. Not as much with the crosses.



Industry Perspective

- Buyers try to find value, it's as simple as that.
- Industry relies too much on what might qualify for CAB.
- CAB has helped the industry, but it is not the end all.
- Would like more CAB-like programs or premium opportunities for other breeds. Feed many real good, non-black cattle.
- We can get cattle to grade. The future is going to be about increased feed efficiency.
- The problem is not with the feedyards. It is down the line.
- Packers are always pushing black hides.
- Hide color is not everything, but packers do dictate some value.
- We try to buy 75% black because we sell on the grid. It's not right, but it is what it is.
- CAB is being watered down with inclusion of black anythings.
- We get so much of this black stuff beat into our heads from packers.
- Agreed with Question 5 because packers are pushing us in that direction.
- Agreed with Number 5 because of uniformity.
- Industry has made a lot of poor-quality black cattle. We sure don't back up on a good red one.
- I don't really like the industry's focus on color.
- There's been a tremendous emphasis on black which has helped the industry. However, there are lots of great cattle that are not black out there. We need to move on beyond color.
- My fat market is driven by hide color, which does not equate to optimal feedyard performance.
- Black cattle are easier to sell in the live market
- Packers are too biased toward black-hided cattle. It's the CAB premium that drives it.
- Need more premium opportunity on the non-black cattle.
- Focusing on hide color could be an impediment to the industry's future.
- CAB has done a great job marketing beef. But it has pointed us in a direction that focuses on hide color over quality.
- We are a lot smarter now than we were when CAB was created and need to go beyond a black hide.



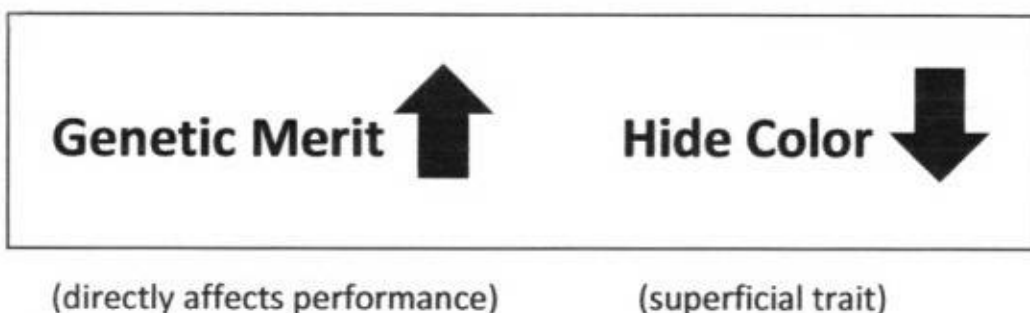
Genetic Merit Pricing Task Force

Purpose. The Genetic Merit Pricing task force (GMP) will be an industry-based, voluntary group, temporarily assembled and charged with increasing the use of genetic merit in pricing in the feeder cattle market. GMP will also seek ways to reduce and/or eliminate the influence of hide color in the commercial feeder cattle and calf markets. GMP's purpose will therefore be to identify ways to bring about significant change in the manner by which feeder cattle are priced.

Background. Today's feeder cattle market regularly uses hide color as a proxy for genetic merit and cattle quality. Hide color is regularly communicated in many auction market reports as the only would-be-quality indicator available. Reliance on hide color has become almost ubiquitous in the price discovery process. Yet dissatisfaction with this approach is apparent among cattle feeders and other industry participants.

For a brighter future, cattle feeders feel strongly the time has come to change how the market operates, shifting its emphasis from hide color to genetic merit and other objective value attributes (Genetics Valued Over Hide Color; <https://redangus.org/wp-content/uploads/2022/05/White-Paper-%E2%80%93-Genetics-Valued-Over-Hide-Color-2022-website.pdf>). Moving beyond color to objectively-measured genetic/genomic information as a key influencer in valuing feeder cattle will increase the percentage of rational pricing outcomes, while encouraging more rapid genetic progress over time. Such a change would make the beef cattle industry more competitive when compared to the continued use of hide color in the price determination process.

Therefore, the two primary goals of the GMP Task Force will be to (1) identify and implement methods/practices to increase the recognition and use of objectively-determined genetic merit in pricing U.S. feeder cattle and calves, while (2) simultaneously working to reduce and then eliminate the influence of hide color in the market.



Task Force Structure. The best, brightest and most innovative representatives from all segments of the beef supply chain will be sought to populate the task force. An estimated number of participants from each segment is presented below:

- Commercial cow-calf (4-6)
- Stocker/Backgrounder (2)
- Cattle feeders (10-12; regionally weighted)
- Auction/Video Auction (3)
- Packers (2)
- Retail/Food Service (2)
- Breeds (multiple non-voting participants; estimated at 4-5)

Adding one meeting facilitator produces a final count of approximately 30 participants.

Assuming five face-to-face meetings over a 15-18-month time frame, with an estimated per meeting cost of \$40,000, results in a total cost of \$200,000. Providing some cushion for out-of-pocket administrative and promotion costs, at least \$275,000 should be raised to adequately fund task force efforts.

Potential Contributors to the GMP Task Force:

Breed Associations – AHA, ASA, AICA @ \$35,000 to \$40,000 each.

Semen Companies – ABS Global/Genus, Select Sires, ST Genetics, Genex, Alta @ \$35,000 to \$40,000 each.

DNA Companies – Neogen, Zoetis @ \$50,000 each.

Note - RAAA may or may not contribute directly to this effort with additional cash. The Red Angus contribution is already greater than the amount requested above through its survey and GMP task force organizational work. RAAA will also provide task force coordination and administration services for the task force at no cost.

After the GMP Task Force's work is completed, any remaining funds will be returned pro rata to contributors.

Supporting Cattle Organizations. The GMP Task Force will also solicit public buy in from a range of cattle organizations throughout the industry in the form of letters affirming and supporting the task force's work.