



# The Angus Link

by **MATT PERRIER**, *director of commercial programs, American Angus Association*

## What's "premium" today is commodity tomorrow

Tired of elusive targets in the beef industry today? Tough. It's a harsh answer, but the truth hurts.

High performance ... low conversions ... high quality ... low-fat ... breed X ... breed Y ... heavy-muscled ... portion-controlled ... lean ... tender. The list goes on, and it gets more complex (and antagonistic) each year.

Recent history shows us that the desires of our consumers (and the influencers in the media and medical community to whom they listen) change almost annually. They continue to want more ... convenience, value, reliability, safety and information about the products that they buy. And, they expect us to offer these added factors (without sacrificing any of the components already instilled in the product) and merchandise beef at a reasonably low price.

How dare they!

Still, if other retail industries are any indication, this rationale is not likely to change. We, as consumers, always expect improvement. As an example, how many rotary dial phones and black-and-white televisions do you have in your home?

### Raising the bar

I attended a conference last summer where a representative from Hormel Foods was one of the featured speakers. He explained to the group of predominantly livestock producers that one of Hormel's tickets to success has been its ability to always shift its focus to the changing desires and needs of its customers. He said that Hormel's motto for the past several years has been "What is premium today is commodity tomorrow."

Instead of attaining "premium" status and then stopping, Hormel has recognized that when a large portion of an industry starts producing a "premium" product, it quickly becomes the norm and achieves "commodity" status. Therefore, Hormel is always striving to improve its products or services in an effort to stay a step ahead of its competition.

But, if we have a premium beef animal or carcass today, won't that level *always* be premium? Not if the rest of the industry begins producing a similar animal or carcass. The consumer will then want more.

For instance, how much in premiums do black calves command today? Depending on where you're located, it varies from zero to several dollars per hundredweight. Years ago, black-hided (Angus-influenced) cattle were almost guaranteed a premium, so

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why wouldn't they be worth it today?

- There are many more black and polled, non-Angus breeds of cattle.
- More than 60% of commercial producers nationwide are using Angus bulls.
- Cattle buyers are demanding more information and verification.

● Hide color (without other genetic information) is becoming less of a predictor of quality.

The reasons continue to mount. So, should commercial producers switch breeds (colors) of bulls to produce the next novel feeder calf that is in limited supply in the marketplace?

No way.

Don't lose your genetic focus. You must

continue to purchase sound genetics that perform at the optimal level in your environment. These highly selected genetics are the ticket to produce cattle that can command premiums in today's marketplace ... no matter the stage at which your cattle are marketed.

Note, however, that I said *can* command premiums.

Long after you have sorted through

that sire evaluation or breeder's sale book to select the genetics to be added to your cow herd, you then have to differentiate your product even more. That's right, since the mainstream producer has now recognized what you've known for years (good genetics produce a better, more marketable product), it's time for you to reach for the next level in value-added cattle.

### Information = dollars

I have quoted Greg Arendt of Valentine (Neb.) Livestock before, but his words continue to be insightful. "Premiums are not paid on the actual cattle coming through the sale ring anymore. They're paid on *the information about the cattle* coming through the sale ring."

We have talked about it before, so you know what information Greg is referring to: carcass, vaccination, health, management, nutrition, ownership/source verification and genetic information. Collection of this data does not require the addition of high-overhead pieces of equipment to your operation. It can be recorded with the assistance of a simple notepad and pencil. The missing link, though, is transferring this information into a form that is usable by your buyers.

What's more, you probably already have the most standardized piece of verifiable genetic information that can be found in today's cow-calf industry ... your registered Angus bull's Performance Registration Certificate, or registration paper (see "Dissecting a Performance Registration Certificate" on page 18). This single sheet of paper holds a wealth of information about the ownership, pedigree and performance of your bull. Not only is this information good for you, the bull buyer, but it is also becoming more important information for buyers interested in your marketed calves and replacement females.

The old line of "They've had all their shots, boys ..." is simply not good enough anymore. Buyers want detailed, verified information in a consistent format. As a producer, you have access to it ... you simply must communicate it to your potential customers.

### These cattle won't sell themselves

A couple years back, Dan Glickman, former Secretary of Agriculture, stated that the days of simply raising and then selling a raw ag commodity — and being able to do so in a profitable manner — are over.

What? Over? Does this mean that we must personally own processing and retail facilities to make a profit in today's market?

Not necessarily. What *is* evident is the fact that we must provide more information about this raw agricultural commodity than we have in the past. Yes, that means increased labor, but it's 2003. We can't expect these cattle to sell themselves anymore.

This information, put into a usable form and conveyed to your customer,

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elevates your calves from a raw ag commodity to a low-risk, verified resource for any buyer in the beef industry. Backgrounders want to be assured that cattle will stay healthy and gain. Feedyards want the same, plus some knowledge of reliable carcass information. Packers want to know past

histories of carcass quality and yield. All of these sectors are recognizing the benefits of cattle with this verified information, compared to those without, and they are starting to pay for it.

How much more effort would it take to compile this basic information, then find a marketing arrangement to garner top dollar for your cattle?

Perhaps the better question is ... how

much effort will it take to sell cattle that *don't* have this information accompanying them at the marketplace?

For assistance in verifying the genetics, health and management of your herd, logon to [www.beefrecords.com](http://www.beefrecords.com) or [www.angussource.com](http://www.angussource.com), or contact Matt Perrier at (816) 383-5118.



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