

VALUE CREATION

Finding the holy grail and joining the revolution.

by Troy Marshall, American Angus Association

There is a lot to love in our business, but it isn't all sunshine and roses. One of the most frustrating areas has always been the way we market our cattle.

I remember nearly 40 years ago when we started talking about the need to base feeder-cattle marketing on objective measures rather than subjective ones. We talked about the need to exchange information up and down the segments so we could both increase value and allocate it from a total systems approach to avoid the convoluted and misguided signals our segmented system often sent.

Slow but sure

There were millions of dollars invested in pursuit of this holy

grail, but to little effect, especially for the cow-calf producer.

The reasons for this failure are widely known. We lacked the technology, the trust, the commitment and the mindset to make it happen. Mainly, we underestimated the time it would take and the paradigm shifts that would have to occur for us to transform our marketing system from a commodity system to one focused on differentiation and value creation.

The reality is that it was always a question of *when* and not of *why* or *if*. It has been a long, circuitous, but inevitable path leading to the transformation of our marketing system through value-based grid pricing, branded-beef programs, and the realization that the way to stop the steady decline in beef demand was through quality.

Ultimately, to remain competitive with other proteins we had to focus on value creation and away from the singular and segmented focus of commodity marketing. Two of the most significant factors centered around changing our silo mentalities and acquiring the technologies and knowledge that allowed for information exchange. We needed

information that was usable, added value to the system and could be exchanged at the speed of commerce.

A new era

Ten years ago, we intellectually realized the value of transforming

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our marketing system; we just hadn't gotten to the point where we had confidence to execute. Today, that has changed. The overwhelming majority of producers in every segment of our business is committed to the concepts of sharing information to improve efficiency and quality, allowing for increased differentiation and value creation. There is no longer any debate about the need to change or the potential for added revenue as a result. We have finally found the holy grail of marketing the industry had been seeking.

Driving implementation

Consensus about the direction we are heading is a big deal, but it is only half of the equation. The second part is driving the revolution that actually sees it

implemented on a widespread basis. It is no longer a dream to talk of the day when producers can get paid according to the value they have created through their management and genetics.

AngusLinkSM is honored to be at the forefront of this revolution.

AngusLink helps install the genetic merit of calves into the pricing equation of feeder cattle for the first time through the

Genetic Merit Scorecard[®] (GMS).

We are also excited to be owned by cattlemen for cattlemen, with the only profit incentive being to improve the bottom lines of commercial producers. We are committed to providing additional market access and market flexibility through verification programs, and to moving beyond validation to marketing support, as well.

Most can remember when expected progeny

differences (EPDs) and genomics were introduced to the seedstock industry. Today it is hard to imagine a world without genomically enhanced EPDs. In the not-too-distant future, I can foresee us explaining to the younger generation how we actually sold feeder cattle at one time without providing objective and reliable tools to describe their genetic merit.

I can just picture my grandson asking me whether it was true they used to really market cattle based on statements like they use "really good" bulls and they have had all their shots? I'll just nod and smile and tell him that was before the marketing revolution. |

Editor's note: Troy Marshall is the director of commercial industry relations for the American Angus Association.

