



PHOTO BY MIRANDA REIMAN

IMPROVING THE ODDS

More dollars, increased opportunities and less risk.

Commentary by Troy Marshall, American Angus Association

There are only a few things in life I can say with absolute certainty: God is real. Life is too short. I married above my head. Kids and friends are a true blessing. The cattle business is both unique and special.

I can't comprehend what heaven will be like, but I can tell you I think it will create that same type of feeling I have relishing one of those beautiful spring mornings; drinking in the taste of a hot, almost bitter cup of coffee; or experiencing the feel and smell of the leather as I saddle my favorite mount.

You know that feeling you get

when you first throw your leg over, and you can feel the horse's anticipation as well as your own? Or the feeling you get planning the future, when you see young calves playing on green grass under the watchful gaze of their mothers? It is a special feeling when you are building something intended to last for generations.

Noble calling

I think all of us understand the cattle industry is unique. Being a rancher is not a job, or even a career. It is a vocation — a calling. I've often heard the love for ranching, cows and horses described as a disease of sorts. Once it gets hold of you, it is virtually impossible to shake.

It is difficult to adequately articulate, but feeding the world and dealing with the uncertainty of Mother Nature and markets pairs an incredible level of uncertainty with an absolute resoluteness I haven't found anywhere else. There is a responsibility of being a steward of the land, and the joy of taking care of the animals with which you have been entrusted. It is such a unique experience, I tend to feel

guilty — or maybe it is more a feeling of sympathy for those who have not experienced this way of life.

Challenge is real

With all that said, it is also a very difficult and challenging road — marked by high investment, narrow margins, long hours, market risk, weather risk — and all in the context of a highly competitive industry. The problems with a commodity marketplace are so well-known that the goal of nearly any business entity is to differentiate itself and extricate itself from the challenges of producing or selling a commodity.

The economics of ranching are important, and we all feel a responsibility to take care of our families, but it is also about creating a legacy. Economics are important, but ranching isn't just about the dollars and cents. It is about making a difference and doing the right thing.

It has always amazed me that cow-calf producers have made such an effort to improve their product, to respond to the consumer, and to be cognizant of the economic drivers of the segments closer to the consumer. This is especially impressive when they have historically received no or little financial incentive to do so. They simply did it because it was the right thing to do.

Certainly, feeders realized the value of good herd health programs, and the premiums they realized via grid pricing encouraged them to pay more for superior genetics. It wasn't that the marketplace didn't understand the value differences associated with increased growth, yield, feed conversion, carcass weight and marbling scores. They just didn't have an objective or

reliable way of measuring the genetic merit in a set of calves.

They did reward those things that can be visually seen, easily documented, or accurately added into the purchasing equation — attributes like breed composition, condition and fill, health and nutritional status, freight and weight. Genetics have always been the biggest economic driver, but “reputation” was its determinant.

Better yardstick

That is why the American Angus Association has worked so hard to bring the revolutionary concept of the Genetic Merit Scorecard® (GMS) to the marketplace. For the first time, it allows buyers to objectively and accurately evaluate the genetic merit of the calves they are purchasing, including how they will perform in the feedyard and on the rail.

GENETIC MERIT — SCORECARD —

The Genetic Merit Scorecard is not just a marketing tool, even though marketing and capturing premiums is what most people first think of when they hear the term. It is a powerful benchmarking tool as well. It allows producers to assess where their genetics are relative to the industry, and it gives them a picture of their strengths and weaknesses to help them define their selection goals going forward.

Receiving a Genetic Merit Scorecard on your calves is a relatively simple process. We just need to know your current bull battery and historical bull battery information. All you need is to utilize registered bulls and to have them transferred into your name. It is important to note that your bull

battery does not have to be 100% Angus to receive a GMS.

One of the things that excites me about the GMS is that it is fundamentally different than most of the other marketing claims or programs that exist in our industry. Those programs have been proven to return significant premiums to producers, but they also tend to reward the early adopter. As the number of cattle that meet certain market parameters increase, the premiums associated with them tend to decrease.

Preconditioning programs are a classic example of this. Premiums for preconditioning have largely evolved to discounts for those who do not. The GMS is different because the value of genetics does not decline, and, ironically, their value increases as more and more cattle are scored. This improvement in demand comes from feeders

recognizing and better understanding the value differences, and from increased access to supply chains and marketing avenues.

Change has always been a constant in our business, but the rate of change has been accelerating at an unprecedented pace. The marketplace is more consumer-focused, more sophisticated in its production practices, and more targeted in its marketing. There are certain parameters that apply to most beef products, including quality, uniformity, consistency and efficiency of production. Although, supply chains are being developed that help to meet consumer expectations on a more consistent basis.

Producers benefit by being able to document and verify the genetics and the management that they have invested in their calves. Successful

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marketing is about: gaining market access, increasing marketing flexibility, mitigating risk, and targeting specific targets that have real economic values.

Quality grade, conversion, average daily gain and compositional end points are great examples of economically relevant traits, but value can be created in other ways, as well. Do they fit the right marketing window? Do they provide the documentation and verification to allow marketers to capture more value?

AngusLinkSM, the Association's Process Verified Program (PVP), returns premiums by helping producers gain access to particular consumer products that are making specific claims. AngusLink offers verification for age and source; Angus genetics; calf management; cattle care and handling; non-hormone treated cattle (NHTC); feeding of no antibiotics, hormones or animal byproducts (NeverEver 3; NE3); and adherence to Global Animal Partnership (GAP, in partnership with EarthClaims), all enabling producers to gain access to additional markets and receive additional premiums.

In just the last two years, the AngusLink program has been able to return to producers more than \$6 million in premiums through participation in AngusLink.

Easier than you think

Most cattlemen have seen the premiums being paid for these program cattle, but they assume that it is too difficult of a process to participate. These programs are not difficult to participate in. In fact, for many producers it is simply about documenting what they are already doing.

I'd encourage everyone to pick up the phone and talk to the AngusLink representatives at the American Angus Association. Visit about what it takes to enroll, and discuss what programs fit your individual marketing program. The premiums are real, and the process is not that difficult.

I start to break out in a nervous sweat anytime I hear the word "audit." A bad experience with the IRS has conditioned me to that response. Producers need to understand that the audits for the USDA PVPs are relatively painless.

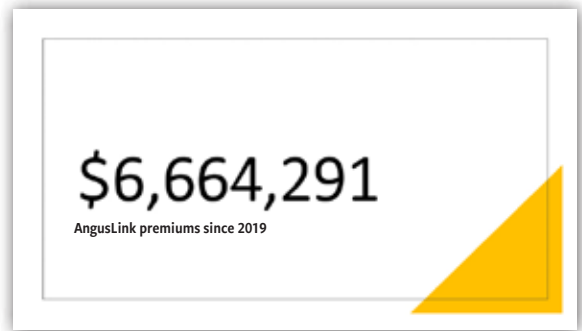
Through the enrollment process you have provided all the necessary information and documentation, and the customer service reps have walked you through the process. The result is that, for most producers, the audit is more like a visit from a fellow cattleman. The goal of the audit is to simply validate what you have already done.

Without question, AngusLink's PVP claims are not for everyone. However, I believe that they can benefit almost everyone.

AngusLink and its programs were not designed to make money for a business entity. Their sole purpose is to help commercial cattlemen capture more dollars, and to be more sustainable.

AngusLink is about producing cattle with a purpose and an end in mind. It is about responding to the needs of our customers.

It was created with the belief that success, at least on some level, is possible for every producer. It is about increasing economic opportunities, differentiating your



product, gaining market access, increasing market flexibility and maintaining producer independence.

The cattle markets have not always been able to shield producers from risk, and traditionally they have not done a great job of rewarding value and value creation.

The difference between differentiated and commodity products has always existed, but never, ever on this level. The difference between those with good genetics and management and those without has never been wider.

That gap is only expected to widen. The AngusLink program is designed to help producers capture as much value as is possible. Unlike other programs, our commitment doesn't stop with providing you verification or documentation. We also help you in marketing your genetics to the buyers who are positioned to capture the value of what you have done.

Cattlemen deserve to succeed, and AngusLink is committed to helping them do just that. Please give us a call to discuss how we might help you capture more value, increase marketing opportunities and mitigate your risk. |

Editor's note: Troy Marshall is director of commercial industry relations for the American Angus Association. To find out more about AngusLink and the Genetic Merit Scorecard, visit www.anguslink.com.