

Getting *It* Together

While working to revive the packing industry in their state, Iowa cattlemen have developed a network that will allow both information and profits to be shared.

Story by
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Yes, there are cattle in Iowa.

That's the assurance members and staff of the Iowa Cattlemen's Association (ICA) had to make after Monfort closed its aged packing plant in Des Moines in spring 1996, leaving only one major beef processor in the state. But IBP's plant in Denison is strictly a kill facility, and the company ships carcasses across state lines for further processing.

That concerned ICA's 12,000 members. Could they be left without a convenient market for the calves of their 1 million cows?

In December 1997 delegates to the association's convention decided to take the bull by the horns, so to speak. They voted to launch a campaign that would return Iowa to its former status as a top cattle-feeding state.

The first phase commenced immediately. ICA formed a limited-liability corporation, Added-Value Beef Development (AVBD), to attract a new beef packer to Iowa. That effort led to an information-management initiative, started in August 1998, named Iowa Quality Beef (IQB).

Information is power

With marching orders from the membership to bring a new processing plant to Iowa, preferably one in which cattlemen could have a stake, ICA's leaders and staff began approaching the major packing companies.

Among the first questions asked of them by each packer were those about the quality and quantity of cattle in the region. That's when it became apparent it would be necessary to identify the cattle in Iowa and the upper Midwest.

"It was time for us to start building a

database of cattle and to prove to the packers that we do have good cattle," explains Ed Greiman, director of Iowa Quality Beef programs, who also owns a custom feedyard near Garner.

Hence, IQB was formed to quantify the genetic and management protocols of a known supply of cattle that could support a packing system year-round.

The association began by contracting with AgInfoLink, a company that develops information-management systems and electronic-identification (EID) technologies. With startup capital from the Iowa Farm Bureau Federation, Iowa Corn Promotion Board and Iowa Beef Industry Council and with technical advice from the Beef Center at Iowa State University, ICA and AgInfoLink designed a database and a system with which to feed it information.

Theirs was the first system to try quantifying the genetic makeup of a region's cattle, says Mark Williams, former ICA vice president in charge of IQB.

The program's electronic ear tags allow cattle to be tracked from birth to harvest, and the database compiles and benchmarks the management and performance data. "We're trying to create an information-highway system to bring rural economic development to our producers," Williams says.

Not only has the network provided ICA with information useful in recruiting a packer, it's benefiting producers in the country.

The individual records maintained by the database allow them to manage each animal to hit end-product targets more efficiently. That's important to Iowa cattlemen — especially those who learned their lessons raising hogs. They don't want to find themselves in a tough situation again as the beef industry also shifts to value-based marketing.

"We're providing the opportunity for producers to put more money back into their pockets by understanding the genetics they have and then better managing those genetics to fit the grid parameters into which they want to sell," Williams explains.

Greiman wholeheartedly supports that sentiment: "Let's get these tags in the



Producers involved in the Iowa Quality Beef program place an electronic-identification tag (1) in the ear of an enrolled animal. Each time that animal hits the chute, the tag is scanned with a hand-held device (2), which calls up the individual's record via computer (3). If a producer doesn't have access to a reader and computer, processing information can be recorded on a bar-coded postcard (4) corresponding to the ear tag. The postcard is sent to the ICA office in Ames, where staff scan the information into the database. (Items are not shown to scale.)



Cattle in the Iowa Quality Beef information-management system have an electronic tag placed in their right ears, linking them to a database maintained by the Iowa Cattlemen's Association. Anyone who claims ownership of a tagged animal has the right to access its performance, management and carcass information.

cattle's ears and get some carcass data and see how these cattle perform so the producers are ready when 50% — or even 100% — of cattle are sold on value-based marketing.”

John Conway, who manages a 150-head commercial cow herd and a 1,000-head feedyard near Wellman, joined IQB as soon as it was introduced. So far he's collected information on 300 head, including carcass information made available by ICA's partner packers in the region.

Conway hasn't been surprised by the data. “It was mainly a confirmation of what I was pretty sure we were doing,” he says. “To me, even confirmation is worth the money spent on it. It's entirely different when you *think* information is correct as opposed to when you *know* information is correct.”

That confidence not only has supported his management decisions, it has been useful in marketing his fed calves. “It's been a great thing to be able to take all of that progeny data and actually convert it into carcass data and say, ‘Here's the proof.’ It's not bragging when you can put the facts up there,” he says.

The nuts and bolts

For producers wanting all the facts, there are two ways to enroll in IQB. The method selected generally depends upon a producer's comfort level with computer technology.

1. For producers who understand Mi-

crosoft® Windows applications, ICA encourages the “do-it-yourself” method. Association staff will visit customers' operations, install the necessary software onto their computers and provide the training at no charge. The producer only pays for the tags and the computer. ICA can cost-share on a percentage of the equipment, however, through a grant from the Iowa Department of Economic Development.

2. The activated tag system is the easier and preferred way to get involved, Greiman says. At the ICA office, staff can scan the EID tags into the database, then print a bar-coded label that contains the transponder number corresponding to the individual tags. In essence, producers provide their information, and ICA enters it. If a member wishes to begin the do-it-yourself system later, the association will transfer the data from its database to the producer's individual computer.

Regardless of the method chosen, ICA will provide software upgrades and additional training at no extra charge, but ICA charges \$5 for each electronic tag or \$6 for each tag set that includes an electronic- and a visual-identification tag.

These charges offset the costs of materials and of networking with AgInfoLink to maintain the database and to process the information into usable forms for both the association and the producers.

Those enrolled are entitled to access the information and, with enough advance notification, to obtain carcass data. The information, however, is proprietary to owners; that is, you must have owned the animal at some point in its life to access its data.

Even those who haven't contributed toward the cost of the tags can access the information on animals they've owned if they contact ICA.

“The decision was made to share the information because everybody who's involved has a stake in it one way or the other,” says Conway, who serves as a district director for ICA. “It's just not quite fair for the cow-calf producers to pay the whole thing, but we thought that was the only way it was ever going to get started.”

Some have addressed that issue on their own by waiting until they sell calves, then offering to tag them only if the new owner agrees to share in the cost.

When tagged calves are sold, it's the new owner's responsibility to contact ICA for assistance or to have the hardware and software needed for participation. This presents one of the greatest dangers of losing track of an animal and, in essence,

wasting the time and money already invested.

At no time is that danger more real than when cattle enter the feedlot, Williams says. Many feeding operations require ear tags be removed during initial processing. But if you trash the tags, you've trashed the tracking system.

“We need to build more efficiencies as cattle move from region to region, from segment to segment,” Williams says.

Even if cattle are successfully tracked all the way through the feedlot, another likely chance for error exists at the packing plant. Williams admits finding efficient ways to collect carcass data is a continuing challenge for IQB. Luckily, several plants in the upper Midwest are working with ICA to provide this valuable end-of-the-line data.

So the hope remains that, someday soon, IQB will be able to trace animals all along the conception-to-consumption continuum.

Conway believes the system is not a threat to producer independence. “You may become dependent on more people for information and for services, but there's still absolutely nobody who's going to say that this group of cattle has to be handled this way and sold to this packer,” he explains. “People can be independent until the day the auctioneer shows up at the farm. It takes a lot more cooperation than anything to survive now.”

Bringing it home

The potential to create a more consistent supply of cattle by quantifying genetics, management and carcass quality through IQB could put products into the packages consumers demand, Williams says. Identifying sources of different products while still in the production segments would be more efficient than cooler-sorting carcasses.

ICA was banking on the chance for greater efficiency to gain a packer's attention — that, and the IQB data demonstrating the region has enough quality cattle to keep a plant running.

In its first 24 months, the network tagged 45,000 head, gathering carcass data on about 18,000 of them. Some animals are still in the pipeline, and some are breeding stock. Information has been submitted by herds ranging from 12 to 2,500 cows.

Cattlemen's willingness to pay for proof that their product is as good as they say it is definitely caught the attention of several processors, Conway says.

In particular, it got the attention of Excel, a Cargill Foods company and the second-largest beef packer in the nation.

ICA, Excel and the state of Iowa entered into an agreement of understanding on Oct. 27, 1999, that would bring a new processing plant to Iowa if certain conditions were met.

Conway credits IQB's information-management system for putting ICA in the position to meet its members' directive. "That particular process is one of the things that most caught Excel's attention, ... in the fact that Iowa cattlemen were not only willing but eager to take personal responsibility for the cattle that they were marketing," he says.

"We have been saying for years that Iowa-raised and -fed cattle were of superior quality, and it definitely impressed Excel's leadership and management that we went beyond the talk," Conway adds.

Greiman says ICA had hoped to tag more cattle, but IQB is providing an education for a lot of people. "That was the No. 1 goal — education and information," he says. "And we've been able to draw a packing plant."

Here's the deal

Conway says gathering the herd information was the hardest part. After that, it was up to the packers.

"Any beef processor in the world who was interested was invited to look at this information and was given the opportunity to be ICA's partner," he explains. "We said, 'Here we are, and this is what we've got. Who wants to be our partner?'"

Several "world-class" processors competed for the project, the ICA director shares. In the end, Excel seemed the best choice.

Conway doesn't believe the decision will cause any hard feelings with IBP because they had as much of a chance to get the bid as anyone else.

"They're not going to look at this as a real challenge to their business," he says. "They'll continue to do what they do well. We think that's good. All that's going to do is increase the competition for what we grow and sell."

Williams says ICA wanted a packer with strong marketing capabilities and a willingness to partner with producers. "We believe we found that with Excel," he offers.

Partners are exactly what they'll be. Cattlemen in the region will own 40%-50% of the plant and will be responsible for supplying at least 40% of the harvest capacity for the first five years.

As part of the agreement of understanding, Excel will design and build a plant. The state will help select a site somewhere in "central Iowa," Conway reports. In exchange ICA had to obtain



Ed Greiman, standing, is director of Iowa Quality Beef programs for the Iowa Cattlemen's Association. He travels Iowa and surrounding states explaining both the IQB information-management system and the IQBSN, which is associated with the new Excel packing plant.

commitments totaling 200,000 head/year and had to generate startup capital by selling shares.

The original memorandum of understanding expired Feb. 28, but it's been extended. Site selection and financial commitments continue to be discussed.

Founder-members are producers who purchased shares before Dec. 31, 1999. They were required to pay a \$300 registration fee and prepay a \$2/head delivery fee. Those who bought into the plant between Jan. 1 and Feb. 28 had to pay a \$500 registration fee, plus the \$2/head delivery fee prepayment. The sale of shares in the Iowa Quality Beef Supply Network (IQBSN), the producer-investment arm of the new facility, ended Feb. 28.

Producers could reserve between 40 and 50,000 shares. With each comes the right and responsibility to deliver one animal per year for five years and claim to a portion of the plant's profits.

Greiman says the give-and-take nature of the shares is good for both sides. "When you go to developing a new market, you have to make sure you've got a source of cattle to supply that new market. You can't have that source leave you," he says, explaining Excel's desire for a five-year commitment. At the same time, ICA came into a position where it could ask for part ownership.

Building the future

When all commitments have been received, the final cost of a share will be calculated. Originally, when ICA was guaranteeing only 200,000 head, the price was expected to be near \$100. By the end of

January, nearly 360,000 shares had been reserved by 1,000 producers in 98 of Iowa's 99 counties and 12 surrounding states. Conway estimates the final price, therefore, will be more like \$50-\$75/share.

When the dust settles and the final details are announced, producers have the option of withdrawing from the venture, but their initial investment (registration and delivery fees) will remain with IQBSN.

For those who choose to stay with the project, three financing options will be available. Farm Credit Services of America (FCSA) will offer a seven-year loan with flexible terms to help producers purchase their reserved stock. The state treasurer's office has allocated \$10 million for loans. And Brenton Banks has set aside \$5 million. Of course, producers may obtain their own financing.

While it seems only feeders would be interested in purchasing shares, Conway says several cow-calf producers are shareholders. The mechanism by which those who do not retain ownership through the feedlot will fulfill their delivery requirements has yet to be determined. That does not mean, however, that ICA is trying to encourage retained ownership.

Conway explains that those who market calves at weaning still will see benefits from the effort. "The cattle numbers that are going to have to be raised to come up with the quality cattle going into this processing plant can most efficiently and best be raised here by the cow-calf producers in the state of Iowa," he says.

All the cattle delivered on shares will be priced according to a high-quality, value-based grid. Until the new plant starts receiving cattle, founding members may choose to deliver to Excel in Schuyler, Neb. The marketing grid offered to them there will be a substantial benefit in the meantime, states Conway, who's already taken advantage of the offer on one load.

"That's what will keep you in business," he says of the average \$3/hundred-weight (cwt.) premium he received.

Conway says that by purchasing shares in the plant, he's gained marketing leverage.

"My feedlot is not a 1,000-head feedlot anymore; my lot is a 300,000-head feedlot because I get the same price that all of those first stockholders have," he explains. "There's no way in the world that I could have done that on my own."

Excel expects the new plant to be completed in 2002 and says it will be a state-of-the-art facility. Full automation will track carcass trolleys down the line, eliminating the need for tag transfers for those

animals purchased on condition of data collection.

While many of the cattle in the IQB-SN also will be enrolled in the IQB information-management system, EID won't be a requirement at the plant. All the same, Excel plans to provide full carcass information for those cattle, which will account for nearly half of its production.

Initially, Excel plans to process 2,000 head/day by running one shift at the plant. The option of going to a double shift and processing 4,000 head/day is possible, the company has indicated.

Chance to grow

In a survey conducted by ICA in the early stages of the project, a large percentage of the cattlemen in Iowa and within two counties of its boundaries indicated they would expand their operations if a packer offering value-based marketing were recruited.

While that projected expansion may not return Iowa to the top cattle-feeding ranking it enjoyed in the late '70s, it will be a boost for the beef production climate in the upper Midwest.

"We want to be No. 1 again. Not No.

1 in numbers, but No. 1 in profits," Williams concludes. "If we're profitable, the numbers will come."

For more information about the IQB information-management system or IQBSN and the Excel plant, contact Greiman at PO Box 1490, Ames IA 50014; call (515) 296-2266; or send e-mail to ed@iabeef.org.

