

# long view focuses on Consumers, Profitability

*Big-picture goals are clear, but you only get there through attention to detail.*

Commentary by  
**TURK STOVALL**

The beef industry's search for a way to address a 20-year slide in consumer demand gave birth to new marketing ideas. By now, everybody's heard of value-based marketing — maybe they're even tired of hearing about it. The point is, beef type and consumer wants change over time. And if we want to sell beef, we have to do more than talk about it and hear about it.

Speakers at the Certified Angus Beef LLC (CAB) Peak Performance 2001 seminar this August in Fort Collins, Colo., addressed the point well. They asserted that producers must orient everything they do in the beef cattle business toward consumer-focused outcomes if they are to take back beef's share of consumer demand.

Keynote speaker Gary Smith, Colorado State University meat scientist, set the tone when he told the CAB-licensed cattle feeders in attendance, "Satisfying the consumer goes beyond the grid."

Most cattle feeders shied from the new value-based or "grid marketing" concept in the early 1990s. "It was a tough start," said Tim Schiefelbein, value-based procurement manager for ConAgra Beef Co. But it finally caught on. Schiefelbein said he was satisfied with buying 100,000 head on the grid the first year it was offered in 1993, but that grew to a current annual volume of 2.5 million head and is still growing.

"This is what I call the 'value-based revolution,'" Schiefelbein said as he shared his philosophy on the changing market. Prior to value-based marketing, everything was worth the same amount. "Those were the communist days," he said. Today we discount for low quality and reward high quality in what Schiefelbein called "the capitalist days."

We are finally moving to a system that listens to consumer signals and relays them in dollars back to the production side. Are

we where we need to be? As John Wayne used to say, "Not hardly."

Al Kober, Clemens Markets, Kulpsville, Pa., said the consistency of our beef products still could use some improvement, and we haven't arrived at the ideal supply of high-quality beef, either. The 2000 National Beef Quality Audit (NBQA) reported that, of all the cattle fed in the United States, only 2% graded USDA Prime, 6% qualified for the *Certified Angus Beef*® brand, and only 49% graded USDA Choice.

## **Artificial signals, real differences**

Well, what's the deal here? It's better than going backward, but we only picked up three percentage points in Choice or better cattle in five years' time. Haven't we set our standards higher than that? What seems to be holding us up?

It rang true when Kober said the constant bickering between feeders and packers pollutes the market with "artificial" supply and demand signals. Market-ready cattle held for an extra week or two due to a selling stalemate don't help consumer demand.

Yet, there are real differences in finished cattle, even when marketing goes smoothly. Could it be our management practices? Genetic selection decisions at the cow-calf level? Maybe it's both.

Larry Carlson of Sandhills Cattle Feeding Inc., Bassett, Neb., summed it up when he said, "You can mess up the best, but you can't make the worst better." The best ranch-managed, genetically superior cattle can fail to grade if the feeder doesn't fit management to cattle. On the flip side, a feedlot can feed everything to perfection and still not get the grade due to the cattle's poor carcass genetics and previous handling.

Researchers continue to study the factors that cause or prevent the ability to grade, and they are finding more responsibility connected to the early stages of feed-

ing or even back on the ranch. In Smith's summary of such research, he noted there are differences in ultimate beef quality favoring steer calves castrated on Day 1 vs. at branding time or later.

## **New thinking**

We have to rethink the way cattle grow. Most of us believed marbling was the last ingredient in an animal's growth curve. Robbi Pritchard, South Dakota State University, said that's not necessarily true.

Late-implanted steers can out-grade those given early implants because new evidence says the opportunity for marbling is at the front end of the growing and fattening period. Management has a direct role in influencing quality grade.

"What we do on the ranch affects marbling," Pritchard said. "Anytime we mishandle or mismanage cattle, we increase the chance of delaying the onset of marbling." That's why cattle that develop a severe case of respiratory disease won't grade.

"When we delay the onset of marbling, we are letting yield grade outpace quality grade," Pritchard warned.

## **Face of change**

You may think you have genetics and management right where you want them, but you may be producing a lot more variation than you imagine. In a study of the American Angus Association database, analyst Sally Dolezal found a significant range in carcass values when comparing expected progeny differences (EPDs).

Producers deal with those variables every day. They use tools such as EPDs to stay profitable while trying to raise a consistent product for the consumer and achieve the goal of long-term profitability. But even when we believe we have raised a uniform calf crop and put together a tight feeding group, any differences become greater while on feed.

Sam Hands of CAB-licensed Triangle H Grain & Cattle Co., Garden City, Kan., presented data showing that cattle coming into the feedlot with only a 50-pound (lb.) range in live weight could have more than a 200-lb. range in carcass weight at harvest.

The consumer market keeps changing, and that adds to producer uncertainties, but between the breed's database and the focus of CAB-licensed cattle feeders, Angus producers have the tools they need to thrive in the face of change. As the industry moves toward case-ready products to fit tomorrow's consumers, yield grade is going to play a more important role, and Schiefelbein said grids would reflect this soon.

Clem Ward, an agricultural economist at Oklahoma State University, said the market could more accurately reflect consumer de-

mand if grids were based on wholesale or retail beef. A better market would have less emphasis on pounds but a direct correlation between quality and value. That would make for more variability but greater accuracy, he concluded.

### **Little things**

If this comes to be — and I believe it will — producers will have to know more about the cattle they raise. Do you know how your cattle perform in the feedlot? Just as importantly, do you know how your cattle perform in the packing plant? If you don't, you need to find out. You need to be able to target a grid with a rifle, not a shotgun.

A producer's goal needs to be higher than USDA Choice, the ultimate for commodity beef producers focused on competing with poultry. "If your goal is to be low-cost producers, you're going to lose on a world market," Hands said. Other countries' production costs are much lower than ours.

"Quality is the U.S. producer's biggest advantage," he added.

Smith summarized: "There is no silver bullet in the things we do; the key is to do a whole lot of little things right."

Can you make sure each calf never has a bad day? Probably not, but all beef producers need to keep working to make those bad

days fewer and fewer. We're segments in a supply chain, not independent sectors. The more we work together up and down that chain, the more likely we are to produce the consistent, high-quality product consumers enjoy and come back for, time after time.

After all, aren't we in this for the long haul?



**Editor's Note:** Turk Stovall is assistant director of feeder-packer relations for Certified Angus Beef LLC.