

Charting a Path

by Troy Marshall, American Angus Association

One of the most talked-about subjects in business-related books lately is the power of finding your why.

A quote from Larry Winget sums it up well: “Find your uniqueness and exploit it in the service of others, and you are guaranteed success, happiness and prosperity.” What strikes me as peculiar is that most businesses must put a lot of effort into discovering their why.

When why is easy

Cattlemen tend to have a pretty good vision of their why. They are in the business to provide their family a lifestyle they feel is truly unique and special. Most aspire to pass their family farm or ranch to the next generation, and that means taking care of the land and the animals.

Most ranchers see their life as a calling to be stewards of what they have been given to pass it on to the next generation and have it be better than than now. They see their job as feeding the world and playing a role in providing customers an enjoyable, healthy and safe eating experience.

Every business must generate enough cash flow to survive and profits to thrive. Still, rarely do I find a cattle operation where profits are the primary goal. That is not to say we don't have a lot of financial and genetic metrics on our operation — everything from weaning percentages to weaning weights.

Doing the right thing

Our marketing system is commodity-based, and if producers wanted to, they have ample opportunity to take shortcuts. It could be argued that, in the short term, producers can even get rewarded for those shortcuts. There are financial incentives in a commodity-based system to skip on genetics, on nutrition, on health and on management in some areas.

For example, a producer can get away with not putting selection pressure on carcass traits; or with providing a herd health program that is just enough to keep

them healthy on the ranch, but with no concern for how they do for the feedyard operator. Nobody would know if you failed to use Beef Quality Assurance (BQA) guidelines when vaccinating your calves.

That, though, is so rare it is an anomaly. Producers do what is right because it is the right thing to do. There is an understanding fundamental to the long-term vision: You build demand in the long term by providing for the needs of every segment of our business — from conception to consumption.

The fact we don't have to put much thought into our “why” doesn't mean that this business is without challenges.

Our marketing system does a fairly good job of rationing supply and demand. Prices go up when demand exceeds supply, and vice versa. It does a pretty good job of spreading out supply in accordance with demand.

Getting rewarded

The second function of a market is to reward quality and to allocate dollars according to the value of the product. Our system fails miserably in this regard at the cow-calf level.

There are a couple of reasons for this, the first being that a commodity system isn't designed to do that. It is based on averages. That isn't a problem if you are dealing with yellow #2 corn; but, it is a big problem when you are dealing with properly conditioned and managed black-hided five-weights.

There are still tremendous value differences that exist within those groupings. On a pen basis, we typically see differences of \$300 or more per head. On an individual basis, those differences can exceed \$1,000 or more.

In order to stay competitive, to increase demand for our product and to incentivize continuous improvement, a market must also differentiate and reward those cattle that create more value.

I mentioned all of this because it explains why the AngusLinkSM program was created. We've seen the incredible advancement in

genetics and profitability that has resulted from expected progeny differences (EPDs) and the incentives that differentiation, or value-based marketing, have created for the seedstock industry.

Also, cattle feeders receive incentives and clear market signals through the grid marketing of their cattle. It makes sense, and it is only natural, that the cow-calf industry would evolve to a form of value-based marketing, as well.

This is not a new concept. The industry has talked about the need for our pricing system to evolve to better differentiate value for more than 40 years. It hasn't happened for several reasons. Tradition, herd size and lack of market leverage can never be ignored in our business.

Still, the biggest reason the cow-calf industry was left out of the shift to value-based marketing that every other segment of our business adopted decades ago, was that while everyone saw the need to do it, we lacked the tools to accomplish it.

The tools

The Genetic Merit Scorecard[®] (GMS) and AngusVerifiedSM programs give producers an objective, reliable and verifiable way to document, validate and differentiate their cattle in a way that buyers can use effectively at the point of purchase.

It is not a question of whether this is the future direction of how most calves will be marketed. It must be. The question is simply when it will happen.

I'm excited to report it already is. Despite the overall prices rising at a phenomenal rate, the premiums we have seen for cattle with the GMS since the first of the year are unprecedented.

All it takes to participate is 15 minutes of effort to gather up your herd bull registration numbers. As producers tell us every day, it is the most profitable expenditure of time in the business. **ABB**

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