Consumers Drive the

Knowing more about your cattle could be the key to higher profits in the next five to 10 years.

Story by LANCE ZIMMERMAN

Checking the weather, markets and news is only a click away for many producers already. That's mainly a convenience now, but instant access to more information will become a driving force in tomorrow's beef industry.

University and feedlot experts say consumers are leading the beef industry down that road.

The day is coming when a 5-yearold cow will walk through the chute to have her electronic identification (ID) tag tell tales like the stats on the back of a baseball card.

"She has an earned feed average of \$1.42, picked up 120 pounds (lb.), but still leads the herd with a three-calf weaning ratio average of 120," the seller will rattle off. "We bred her to that sire in the top 5% for \$taste, growth and efficiency in May. With her last two calves hitting CAB® (Certified Angus Beef[®]) Prime, we already have a standing bid for this unborn calf of \$1.20 a pound at harvest."

Sound a little too sci-fi for the ranch? Incentives are in place and technology is responding rapidly, so that scene and day may not be very far out. Consumer interests and information will shape the demographics, marketing and

management of U.S. cow-calf operations.

Serving the customer

The recent focus on the consumer is not just the latest fad. Twig Marston, Kansas State University

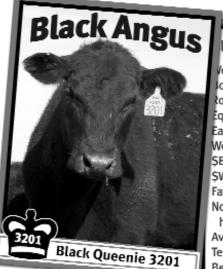
Extension cow-calf specialist, says it's more like a new megacycle that could follow other historical 25-year cycles within the industry.

"Producers cannot downplay the consumer's role when

we talk about the future," Marston says. "In the 1970s, '80s and early '90s, we did whatever we wanted to do in the industry. In the late '90s, we started to listen to consumers. Today, we have really shifted our attention to consumers."

Branded beef programs, led by Certified Angus Beef LLC (CAB), help producers set attainable goals based on consumer interests, translated into dollars. That's affecting the way they raise and market cattle.

Producers will still dictate what kind of cattle they raise, but consumers are going to drive change because some cattle will have more value potential in the end product. John Petz, president and chief executive officer (CEO) of Irsik & Doll Co., Cimarron, Kan., says the trend follows simple business logic serve the needs of the customer.



lack Queenie 3201 20 eight: 1,200 lb. ody Condition Score: 5 ookie Year: 2002 quipment: AngusSourcesm RFID Earned Feed Avg.: \$1.42 Weaning Ratio Avg.: 120 SEN: \$9 \$W: \$20 Favorite Bull: Angus Prince No. times her calves have hit 30.06 target: 2 Avg. Calving Ease Score: 1 Temperament Score: 1 Best Feature: udder

"We are all in a business where the consumer is everyone's customer," Petz says. "That is one of the things that everyone from the cow-calf guy to the packer shares. We all have the same customer, and it's our cumulative job to satisfy them."

He adds that the beef industry will prosper by producing the best product for the consumer while staying efficient on the ranch. That will be more challenging for some than

Meeting the test will require being educated and informed about all aspects of the industry. Terry Mader, University of Nebraska Extension beef specialist, says assurance before they buy anything.

"Whether we are talking about an individual or a foreign government, they will want to dismiss any potential threat that could come from what they are serving," Mader says. Source and age verification could deliver the needed assurance.

A traceback system would make information gathering an easy task, he says. Technology could convey facts about a calf's ownership, transportation, handling, health and genetics throughout the supply chain.

Collecting information might seem like a paperwork burden, but feedlot owners believe the information could add value to a producer's calves and, ultimately. change the type of cattle supplied by the U.S. beef industry.

Shifts in supply

Making a profit from the consumer's information demands could be as simple as owning calves through finishing and active communication with a qualityfocused feedlot. "Producers who retain ownership of their cattle are going to improve their businesses." Petz says. "They will control the knowledge of how their cattle perform throughout the entire feeding phase and will see what the end value of the beef carcass brings back."

Irsik & Doll customers who have retained ownership during the last five years have been rewarded with increased earnings opportunities, plus the individual carcass data needed to make each cow more profitable on the ranch.

Ron Kramer, Irsik & Doll customer services director, says market power is shifting to owners who know how their cattle perform, and participating in the CAB program allows for the necessary data capture.

"The cow-calf guy knows the most about his cattle in the feedlot and can learn even more through retained ownership," Kramer says. "The more information he has five to 10 years from now, the more valuable his cattle will be as the industry starts to market high-quality cattle through direct relationships."

The role of investors, third-party relationships and auction markets will remain strong in the industry's future, cattle feeders say. However, Marston says, quality-focused producers will find higher profits by actively developing marketing relationships throughout the supply chain, retaining information even if they don't retain ownership.

Feedlots and packers welcome high-quality cattle, but consistency will become the focus for profitconscious producers, says Steve Peterson, owner of MPK Land and Livestock LLC, Lebanon, Kan., a CAB 2004 Feedlot Partner of the Year.

"Ranchers are going to have to develop more and more consistency," Peterson says. "They will aim for one branded beef program's specifications, or maybe a niche market that consumers recognize and are willing to pay more for.

Production demographics will continue to evolve, partly in reaction to the changes cited above, creating other changes in return. Cattle-Fax research shows growth in the percentage of cow-calf operations with 50 head or more since 1987; farms with fewer than 50 cows are on the decline.

Evolving market structures

Integration can be found in the current supply chain, but there is more to come. Peterson sees a day when packers will offer a price for



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others.

consumers want food safety That will likely require more information from the ranch.

FEEDING OPTIONS SECTION

calves a year before they are finished. Producers can be ready for that day, he says, if they become detail-oriented and work with a feedlot to develop a longterm marketing plan for their cattle.

In the information age, no segment of the beef industry is an island, says Warren Weibert, owner and general manager of Decatur County Feed Yard Inc., Oberlin, Kan.

"As a CAB feedlot, we are a producer's partner. We will work with them to develop health and marketing programs that work best for everyone," he says. "We cannot act alone. But, if we work together and get the right mix of people involved, we can survive and prosper together."

There's no point in working together without goals, Weibert says, adding that it probably means leaving the middle of the road. "If you have a goal, and measure what you are doing in relation to that goal, and select the breeding stock based on how they are achieving results, I believe a producer can do about anything," he says. "The goal needs to be specific, however. You can't be a generalist about what quality traits to promote and measure."

Mader agrees that trying to improve too many traits at once can stifle progress. Balanced-trait sires are great for maintaining excellence, but those who quantify goals and develop detailed plans may get there by strategic selection to complement herd genetics.

Targeted production

Specifications, such as those required by the CAB program, can be seen as targets. Marston says branded beef programs help producers focus on the food industry.

"CAB-focused producers have a food production mind-set. They wouldn't be in the program if they didn't feel that way," Marston says. "They can get records from other programs. The value in working with CAB is that producers know the consumer they are working for and the product they need to make."

Branded beef programs could become the marketing mechanisms of the future, says Ron Rowan, Beef Northwest Feeders risk management specialist, Nyssa, Ore. Producers will need to do their homework before they commit to producing for a brand.

"Competition between brands will be intense, and it will be difficult for some brands to maintain a consistent market share," Rowan says. "Branded beef programs that meet the challenges thrown at them and maintain a reputation for quality with their customers will survive."

Consumers will dictate which programs fail, survive or thrive, but producers must make educated decisions about whether any one program is worth their commitment.

"We are going to see more interest in tapping into specific consumer preferences," Mader says. "If the consumer is willing to pay for it, the industry will produce it."

Commodity beef will still have a role — filling the generic supply void in the market and satisfying consumers who have no preference beyond the beef category. "The commodity beef producer will be the shock absorber in the industry," Marston says. "He will feel like a shock absorber, too. Sometimes he will make money and, at other times, he will not believe how much money he is going to lose."

The biggest step in the transition from calf producer to food producer is adopting a long-term marketing view, Petz says. "It is tempting for cow-calf producers to take advantage of the immediate gains offered by strong cattle markets at weaning, but perseverance will be rewarded in the future."

On the ranch as in the feedlot, profitability will always be the locomotive driving any change, and information will fuel it.

Preparing for the change

Marston says educational and program opportunities can help produce higher quality beef at a lower cost.

"Producers can implement programs and management systems that reduce stress or take pressure off of their operations to make a profit," he says, listing government programs, American Angus Association \$Value indexes and risk management as ways to lock in profits.

Nobody can afford to produce quality at a loss. "Efficiency should drive every aspect of the production system from beginning to end — from picking out bulls to how cattle are handled to the feedlot phase," Marston says. "The producer needs to make each one of those phases efficient in a way that pleases the consumer and still maximizes his profit on each unit of production."

Continuing education is a necessity for the future, Marston says. Understanding the issues that affect other areas of production will help producers see the changes ahead of them. Knowing the dynamics of home herd and ranch resources can also improve efficiency.

Peterson says keeping detailed records at the individual cow level will help producers understand what to do when change is needed. Evaluating each cow's input costs and comparing them to her calf's net return will point out the profit potential of each individual.

"I encourage guys to weigh their cows. Some people think that is crazy," Peterson says. "But, you can relate that back to how many pounds of calf are produced to see if maintaining that cow is costing too much. It offers another way to improve efficiency."

Producers who take the long-term view maintain profitable partnerships; they are the ones who keep everyone's best interests in mind, Peterson says.

"The cattle industry is fun, especially when you can help producers succeed," he says. "That is what makes it fun, and that is what business is all about. Economics, yes, but the relationships you build and seeing people prosper makes it fun."

