



YOUR LINK TO

by **RON BOLZE**, *director of progeny tests for carcass merit, Certified Angus Beef Program*

Gaining a competitive advantage through quality

If you don't have a competitive advantage, don't try to compete. This statement has several applications; however, don't overlook that it applies to the long-term financial success of beef production. Having a competitive advantage allows producers to reap higher profits than others in their business. Those who have a competitive advantage are able to produce their product for less than the competition, or they are able to market their product for more than the competition.

Producers who don't have a competitive advantage often aren't doing much more than breaking even. It's pointless to try competing without a competitive advantage.

How does a beef producer acquire a competitive advantage? Where is the competition?

Most producers who have a competitive advantage have found innovative ways to lower their production costs or to increase the value of their product, usually through emphasizing quality. They've increased their

profit potential to the point it's difficult for other producers to effectively compete with them. They have acquired a competitive advantage by producing a predictably higher-quality product that sets the pace for others' attempts at imitation.

In his paper entitled "Boosting Competition Through Total Quality Management" (1995 Beef Improvement Federation Proceedings), Darrell Wilkes says today's world has demanded a new way of thinking about quality. In the old days, quality was achieved by sorting the good parts from the bad parts and selling only the good parts to the customer. The bad parts were discarded, reworked or discounted.

This was clearly inefficient and resulted in slight price premiums for higher quality. The take-home message to producers was if their product passed inspection they had accomplished their objectives. Producers established acceptable defect rates. If these rates were not exceeded, they considered themselves successful.

Real quality is not achieved by sorting the good from the bad and selling only the good to the consumer. Instead, quality is defined as a process of continuous improvement wherein defects and the corresponding costs of nonconformance are systematically reduced. In other words, lower-quality cattle are not produced in the first place.

To achieve this goal, all producers must have the same objectives, the same vision and the same sense of pride in what they are doing. Contrast this approach with the old one where the producers' objective was to get their products past the inspectors, and the inspectors' objective was to catch them trying to push defective products down the line. This was a cat-and-mouse game with no winners.

Destructive competition

Not unlike the beef industry, most American companies are not properly structured to achieve quality. They are segmented — broken into departments. In the long run department employees succeed or fail based on the

company's overall performance, but that has little bearing on the way people do their jobs.

On a day-to-day basis, even a year-to-year basis, departments within a large company are judged independently. One department may be doing well, often at the expense of another. The successful department's employees are rewarded — even if the company itself is going down the tubes. Rather than cooperating to achieve the company's big picture, departments do whatever they can to look good on paper.

A new outlook

When a company adopts the concept of quality, the first thing it must do is dismantle the existing barriers to cooperation. The company must get employees to focus on the major goals of the entire company and redirect all resources to accomplishing key objectives. Interdepartmental sabotage and destructive competition can't be tolerated. All the time and energy that was spent positioning one department against another becomes focused on the goals of the company — on quality.

Suppliers are viewed in a different light under a total-quality approach. They are no longer threatened by purchasing departments looking for a better deal. Companies focused on quality generally reduce, rather than increase, their number of suppliers. They form partnerships with suppliers who subscribe to the quality goals of the company. The relationship with suppliers is based on mutual trust and a common commitment to quality. Many quality-oriented suppliers have only one customer.

Dickering over price becomes a thing of the past. Suppliers don't have to worry about being "low-balled" by a competitor, so they can focus on the quality goals of the company. The relationship becomes a true quality partnership.

Industry predators

Like most American companies, the beef industry is not structured to achieve quality. Just as larger corporations have self-protective departments, the beef industry has predatory segments (cow-calf, feeder, packer and seedstock) that prey on each other. Members of one segment spend most of their time and energy trying to get the upper hand on another segment rather than forming quality partnerships that benefit the industry in the long run. They spend the rest of their time trying to explain why the beef industry can't do things like a corporation can.

When cattlemen are advised to reduce costs, they ordinarily think of reducing the amount of money they spend to produce their product. Many producers are not grateful to get this kind of advice because they claim they have reduced their expenses as much as they can.

Supply development efforts expanded

In 1978 the Certified Angus Beef (CAB) Program was established with a two-fold mission: to provide consumers with consistent, high-quality beef with superior taste and to increase demand for Angus cattle. Since then the Program has made significant strides in both realms.

More than 370 million pounds of *Certified Angus Beef*TM product sales are expected for fiscal 1998. More than 2,600 licensed restaurants and 3,200 licensed retail stores actively promote *Certified Angus Beef* product to consumers. The Program is building awareness for the *Certified Angus Beef* name and the product's quality.

To help garner a supply of high-quality cattle to meet product demand, the Program established its supply development division in 1988 and has further developed sire evaluation and carcass data programs offered to producers. More than 19,200 head of cattle were evaluated through the Carcass Data Collection & Analysis Service in 1997. In addition, 117 producers participated in the Sire Evaluation Program for progeny carcass merit during the year. Their efforts added 307 sires with carcass information to the American Angus Association's *Sire Evaluation Report*. Yet there are still opportunities for supply development to increase future availability of *Certified Angus Beef* product.

The Program took another step toward increasing supply development efforts at the CAB Program's March Board meeting. The Board approved a proposal to dramatically expand the Program's focus on increasing the supply of Angus-type cattle meeting *Certified Angus Beef* specifications.

Instead of a single supply development division, three divisions now focus on supply development, with an assistant executive director at the helm. The divisions are progeny tests for carcass merit, feeder/packer programs and producer information.

"Restructuring emphasizes the Program's 20-year mission to increase demand for Angus cattle and will position the Program to transition from packer-based expansion to production-based increases in the number of cattle available to the Program," says Louis "Mick" Colvin, CAB Program executive director.

Supply development staff

Expanding the Program's focus on supply development began with beefing up staff resources.

Larry Corah, assistant executive director of supply development, joined the Program in June to oversee its restructured and expanded supply development focus. He is evaluating all supply development opportunities, realizing a more aggressive program is es-

sential for continued growth and development of *Certified Angus Beef* product distribution.

"The challenge is in creating a program that effectively allows the CAB Program to reach 900,000-plus beef producers with information on the opportunities in partnering," he says.

In March Ron Bolze joined the CAB Program as director of progeny tests for carcass merit. Recruiting is under way to fill the director of feeder/packer programs and producer information positions.

Rod Schoenbine coordinates the Carcass Data Collection & Analysis Service, and Christy Johnson serves as a general supply development assistant. Carol Grantonic, secretary, serves as a key contact for producers.

"This team will take the CAB Program's supply development and marketing programs to a new level in tying purebred and commercial Angus breeders to consumers by adding value to all sectors of the industry," Colvin says.

Watch for updates and information about the Program's supply development services in future issues of the *Angus Beef Bulletin*.



There's another category of costs that are usually not considered – the cost of nonconformance. This is the cost of producing a product that doesn't meet the customers' requirements or a product that requires rework or repair before it can be marketed. These costs tend to be ignored because traditional accounting systems don't quantify them.

What tends to happen, particularly in a commodity business, is that the cost of nonconformance is absorbed into the average price paid for the commodity. This happens over a period of years, even decades, and becomes somewhat invisible. To its disadvantage an industry establishes acceptable levels of nonconformance.

Eliminate nonconformance

There is no such thing as acceptable nonconformance. Rather than accepting nonconformance and trying to sort it out of the process through some kind of inspection, the beef industry needs to find the root of the nonconformance and correct it until nonconformities are eliminated. In other words, make every attempt not to produce nonconforming cattle from conception. Obviously, this requires using beef genetics that, when used with proper managerial practices, result in a competitive, quality product.

Historically, with some seasonal and individual packing-plant variation, only 17% of black-hided, Angus-type cattle with no known parentage meet Certified Angus Beef™ carcass specifications (modest or higher degree of marbling, medium or fine marbling texture, "A" maturity, Yield Grade (YG) 3.9 or leaner, moderately thick or thicker muscling characteristics, neck hump less than 2 inches (in.) high, no internal hemorrhages and no dark cutters).

Of about 6,400 cattle harvested during the first six months of 1998, the CAB acceptance rate predictably jumped to 28% if the cattle were sired by Angus bulls. That data is available from Rod Schoenbine and Christy Johnson of the CAB Program's Supply Development Carcass Data Collection & Analysis Service.

Not surprisingly, individual herd data reveals Certified Angus Beef acceptance rates exceeding 60%, particularly if the cattle were sired by Angus bulls in the top 5% of the population for marbling expected progeny difference (EPD). Furthermore, exceptional Certified Angus Beef acceptance rates are routinely achieved if the maternal grandsires also excelled in marbling EPD.

In keeping with the concept of multiple-trait selection, in some cases the genetically elite sires may need to be avoided due to shortcomings in calving ease, growth, maternal and functional traits or environmental adaptation.

Look for the edge

Numerous opportunities exist to capture a competitive advantage in our industry. One of these opportunities is to become a Sire Evaluation Program cooperating test herd. Program details are outlined on page 28. In short, cooperating test herds should

involve at least 200 commercial cows that can be intensively artificially inseminated to a young, promising test sire and two proven reference sires. There are more than 200 young test sires to select from.

Test-herd management maintains calving, identification and weaning records. Owners of test sires provide semen and cover the cost of carcass data collection. CAB Program

personnel track cattle through changes of ownership and collect carcass data.

Benefits to the test-herd owners include accurate carcass information, enhanced marketing opportunities for steers and heifers, use of proven sires free of charge and high-quality replacement females.

The CAB Program supply development team can help you gain the competitive

advantage. Include marbling and other measures of quality into your multiple-trait selection program.

It's the competitive thing to do.

