



Your Link to



by **MARK MCCULLY**, supply development director, *Certified Angus Beef LLC*

The market speaks: Are you listening?

Consumers tell us what they want by spending more for higher-quality beef, and less for lower-quality beef. The market sends those signals, and we adjust herd genetics and management to get more money. That's how the market is supposed to work.

Maybe it's broken. Certified Angus Beef LLC (CAB) has helped publicize the profit opportunity in aiming for a high-quality target, but noise in the market muffles consumer demand. Still, the money on the table is getting harder to ignore.

Records tell us that for the last two years, on average, a 785-pound (lb.) carcass accepted for the *Certified Angus Beef*® (CAB®) brand has been worth \$55 more than a U.S. Department of Agriculture (USDA) Choice carcass, and \$131 more than a USDA Select carcass. Early this summer, the CAB-Select spread reached more than \$230 for the average carcass. That's why CAB-

licensed packers pay producers most of that premium on value-based grids — \$200 million during the last decade — and hundreds of millions more on the increasing Choice-Select spread.

This value signal has been blaring at the feeder calf level, too. A spring 2006 analysis of U.S. cattle prices at auction

shows Angus-based steers brought nearly \$33 per head more than non-Angus steers. Cattle feeders feel confident the Angus calves will garner grid premiums.

And yet millions of cattle are sold by producers who seem to ignore those signals. It's not like we have to give up production efficiency to achieve these premiums, so why can't the beef industry make more progress? The noise says all you sell

is pounds, but why not a pound of gold instead of a pound of lead?

Produce more than pounds

As an industry, we take pride in being consumer-focused, but are we really? It seems we can neither see nor hear those consumer signals for lack of vision. Too often, we ignore them and imagine a future in just producing pounds.

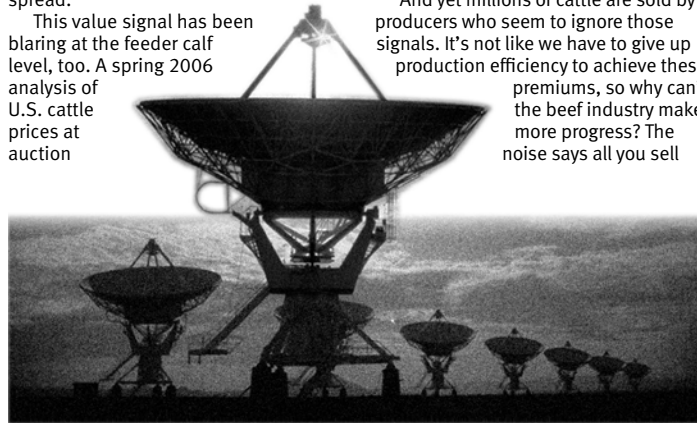
"We'll figure out how to add value later, right?"

Wrong.

When was the last time our feeding industry developed a technology that improved quality? Implants and feed additives have greatly improved performance and efficiency. But when it comes to quality grade, the best they can come up with is the same promise that it won't be hurt too much.

During the past 30 years, we added 177 lb. to the average carcass. At the same time, we have seen a decline in

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federally inspected cattle grading USDA Choice and Prime, from 85% then to 59% now — even though we made the rules easier. Granted, not all cattle were presented for government grading, but no matter how you measure it, everyone agrees beef quality grades have trended lower. When study after study shows

consumers prefer beef because of its taste, disregarding the factors that determine taste seems reckless.

Angus breeders have led the industry, selecting cattle to excel at every stage — from pasture to plate. Many commercial producers have seen the genetic value and invested so that nearly two-thirds of

the U.S. cow herd is now Angus-based. But genetics are no more than half of the equation. We can't manage quality into poor cattle, but the industry keeps proving it can manage quality out of good genetics.

The dollar rules business. For the "Business Breed" as for the entire

industry, the dollar says play to your strength. Poultry and pork can run rings around beef when it comes to efficiency, so there is no use in aiming for cheap. That's not to say we should let up on efforts to trim excess costs, but never forget taste is our strength.

You don't have to choose between low cost and high quality. Based on data from cattle enrolled through CAB feedlots last year, pens with the highest CAB acceptance (more than 30%) also had the lowest cost of gain.

What consumers want

Worldwide, we stand alone as the leader in high-quality, corn-fed beef, and demand signals tell us to make more. Consumers send those signals, creating the pull-through model every manufacturer wants. A vibrant demand means not having to push products through the system but rather responding to those consumer signals pulling in more.

Failure to read consumer signals is understandable when your immediate buyers were paying panic premiums

Opportunity knocks

Herd improvement is a long-term commitment that must be oriented toward some target end product. The market clearly defines the ideal target for Angus producers. Fortunately, it's the *Certified Angus Beef*[®] (CAB[®]) brand — the one created and owned by all Angus producers through their membership in the American Angus Association.

An array of CAB Supply Development producer programs help you take better aim so that you win more potential profit, the brand wins more markets and consumers win in the end.

Brand Builders. Angus seed-stock producers have a standing invitation to come to the CAB headquarters in Wooster, Ohio, for an information-packed exchange of ideas that will help define goals in selection, management and marketing.

Black Ink Basics. Angus commercial producers may attend the seminar series that started with the 2003 Range Beef Cow Symposium and continues in target areas such as South Dakota this summer. An offshoot is the Black Ink Basics technical report series, summarizing factors affecting profitable production of high-quality Angus beef.

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for all cattle. They couldn't afford to be particular. This compression of value is part of the cattle cycle, but equally as predictable is the spread in value that the next few years will bring. Buyers will again be able to discriminate, and the checks they write will show it.

The Angus breed is poised to capture even more market share as producers and feeders find the signals impossible to ignore. As the market returns us to our senses, we must return to being strategic and intentional about what we are producing. To keep consumers coming back to the beef counter, we have to deliver taste.

**Carcass data collec-**

tion. A hallmark of CAB Supply Development for nearly two decades, the brand helps Angus producers gain access and interpretation of carcass data through its network of licensed feedlots.

Feedlot-Licensing Program (FLP).

This nationwide group of 68 licensed partners wants to establish working relationships with all Angus producers interested in win-win outcomes through sharing information and commitment to improvement.

National Angus Carcass Challenge (NACC).

The value discovery program for everyone (even informal groups) who can muster at least 38 steers or heifers sired by registered Angus bulls to feed in a licensed CAB feedlot. Remember, most of our feedlots are open to taking on at least half ownership in such pens. Everyone wins with individual data to sharpen your game, while winners compete for \$30,000 in cash, plus prizes and priceless publicity.

Let your breeding program realize its potential in carcass performance and profitability. Visit www.cabpartners.com on the Web, e-mail Mark McCully at mmccully@certifiedangusbeef.com or call us at 1-800-225-2333 to learn more.