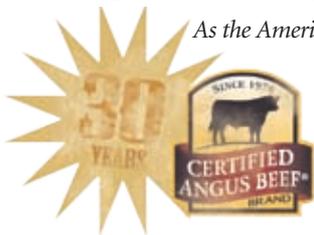


CAB: 30 YEARS YOUNG

As the American Angus Association celebrates its 125th anniversary, Certified Angus Beef LLC celebrates its 30th year.

BY MIRANDA REIMAN



Barbed wire changed the beef industry. The vast plains were fenced, and herds of cattle that once hit the trail in search of open range were easily corralled by owners.

Grazing, feeding and marketing strategies were reinvented as the cattle business evolved. Refrigerated rail cars, large-scale grain feeding and boxed beef had similar, monumental effects.

Arguably, the Certified Angus Beef® (CAB®) brand fits on that list. The world's most successful branded beef program turns 30 this year, marking three decades of leadership in the beef business.

"The introduction of this brand, based on high-quality carcass characteristics, was

a huge paradigm shift," says Bill Rishel, 1996 CAB Board chairman from North Platte, Neb. "The idea ranks as one of the greatest of all time, a catalyst for changing the whole economic picture of an industry."

In the mid-1970s, the picture was dim for consumers who had grown up on high-quality beef, as it was for those who still produced the best. Angus cattle were losing favor in an industry suddenly driven by longer, taller cattle that quickly produced beef practically devoid of marbling. The ratio of Angus-based herds fell to perhaps one-third. "For a long time, the production side

The American Angus Association turns 125 this fall. Recognition of the milestone will occur at various Angus events during the year. As part of the celebration, the Angus Journal has featured glimpses of the past throughout the year.



said, "Here's what I'm producing and this is what you're going to eat," Bill Davis, current CAB Board chairman from Sidney, Mont., says. "Now, that focus is turning completely around. People say what they want to eat, and then you go out and produce it."

More than 30 years ago, that communication loop was nonexistent. That's why Angus producers were losing market share and beef demand was going into a largely unrecognized downward spiral.

The mother of invention

Adversity brought out the best in some producers. Ohio innovator Harold Etling, of Wayne Knolls Farm, saw the crisis and envisioned a solution in a 1975 letter. Etling held numerous storm window patents, but one of his enterprises was selling "Angus steaks and roasts" just 15 miles from today's CAB headquarters.

He wrote to neighbor and American Angus Association Board Member Fred Johnson, detailing an Angus brand that would bring out the best of the breed by pleasing consumers (see "A record of innovation," page 198). Perhaps others were thinking

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► Mick Colvin and members of the Angus Beef Certification Advisory Committee select the organization's logo at the February 1978 meeting. The committee consisted of (front row) Colvin; the late Harold Etling, Marshallville, Ohio; (back row) the late Elliot Frank, Grayslake, Ill.; the late Edward Elliott, Mount Victory, Ohio; and the late Fred H. Johnson, Summittville, Ohio. (Not pictured: Bob VanStavern, Columbus, Ohio; and Charles Cannon, Flemingsburg, Ky.)



► Oct. 18, 1978 — Colvin congratulates the first meat cutter to offer Certified Angus Beef® product to consumers at Renzetti's IGA in Columbus, Ohio.



CAB TIME LINE

1975	1977	1978	1980
Ohio Angus producer has a disappointing steak	Association approves way for the original brand of premium beef	CAB brand launched as a pilot program funded by the Association First pound of CAB product sold at retail	First restaurant offers the brand



► In 1978, Val Decker Packing Co., Piqua, Ohio, became the first CAB packer.



► In 1979, USDA granted approval of G1 for its first certified brand — CAB.



► CAB hosted its first national conference in Saint Joseph, Mo., in 1984.

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along the same lines, but it was Etling who laid out the plan directly linked to the birth of CAB.

And it was Johnson who nurtured the spark. Discussions with Association regional manager Louis “Mick” Colvin helped it catch fire. Colvin, CAB

executive director for its first 21 years, insists it was Johnson who held his feet to that fire and helped forge a success.

Meanwhile, Angus producers clung to hope. As if economic pressure were not enough incentive, the U.S. Department of Agriculture (USDA) in 1976 lowered the beef quality grade standards.

“In the 1970s, we couldn’t sell Angus bulls for more than the market — I’m talking scale weight,” says Henry Bergfeld, Summitville, Ohio, Board chairman from 1997 to 1998, when he was Johnson’s Summitcrest Farms manager.

Businessmen on the other side of the fence were suffering, too, and the grading change made it worse.

“The variability in the Choice grade just made it impossible for foodservice units to assure customers they were getting the best beef available,” says Bobby “Dr. Bob” VanStavern, the Ohio State University emeritus meat scientist and lead author of the CAB specifications. “All of our meat research showed pretty clearly the influence of marbling on palatability.”

Drawing on ideas and expertise, a brand was born that would point consumers toward the best beef while using market forces to steer producers toward the genetics and management that could make more. In 1978, the first packer was licensed and first pound of product sold.

This could work!

“The pull-through theory worked like they put it to paper to be. It did exactly what it was envisioned to do, of course, build demand for Angus cattle,” Bergfeld says. Today, the once-dim picture shows Angus influence at nearly 60% of the cow herd base while 18% of progeny qualify for the brand that helped define value-based marketing.

The mission statement still stands: Increase demand for registered Angus cattle through a specification based branded beef program to identify consistent, high-quality beef with superior taste.

But the brand was many years in the making, famously being shut down by USDA as soon as that first sale was made (See “CAB at 25,” November 2003, page 98). Colvin and others shuttled to Washington, D.C., and law offices to draft the basis for all USDA Certified Programs. Amid such difficulties, and lacking income, the brand narrowly survived what could have been program-ending Board votes.

In those days, Colvin says, he and his wife comprised the staff. “Virginia and I put together the first marketing materials on the dining room floor. We worked out of my office, which was later in our garage, until we moved the office to West Salem,” he recalls. Gradually, the staff grew and Colvin started to agree with Johnson and Dr. Bob. Incredibly, the brand was going to succeed.

Differentiate

“Phase two” of the idea, supply development, took form in the early 1980s, forging a closer link between producers and the program. But it wasn’t until 1986 that cattlemen received the first premiums for cattle that achieved the CAB brand. It took much longer to see widespread rewards.

“Packers would come in, and they’d like your cattle ... Buyers knew what the cattle were doing, but they wouldn’t give that information back to the feedlot or producer,” Bergfeld says.

By 1995, CAB accessed 80% of the U.S. packing base, and in 2000 the first Canadian

CAB TIME LINE

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|--|---|---|--|
| <p>1982</p> <p>First foodservice distributor offers restaurants a direct source of CAB product</p> | <p>1983</p> <p>Brand reaches into international markets</p> | <p>1984</p> <p>First restaurant chain carries the brand</p> | <p>1985</p> <p>First deli meats hit meatcases</p> <p>First computer enhances product monitoring and tracking</p> |
|--|---|---|--|

packer produced the brand. By 2007, packers reported having paid a cumulative \$250 million in grid premiums on cattle that qualified for the brand.

The success comes from “working backward” through the supply chain, Davis says. Consumers pay more for superior beef, and the market determines how much more. Licensed restaurants and retailers — more than 12,500 in 39 countries today — send demand signals back through the system.

“We really strive to differentiate ourselves from other retailers,” says Ed Steinmetz, vice president of meat and seafood for Giant Eagle, based in Pittsburgh, Penn. “There are several ways to do that: variety, presentation, quality and consistency.

“The CAB brand is one way we do that,” he says. “It has a proven track record and a selection process that’s second to none. It just gives us the confidence that what we’re selling is high quality.”

Current CAB President John Stika says listening to licensees guides the brand’s business model.

“The more we know about what our customers need and want from the program, the more successful we’re going to be as an asset to them,” he says.

Input from all segments shaped every important historic turn, including notable changes in the past five years.

Consistency concerns

“This company has always focused on providing the consumer with a product that meets their desires,” says Bob Norton, chairman of the board in 2003-2004 and 2006.

During his tenure, CAB staff brought a challenge to the Board: yield grading was no longer providing enough product uniformity. Carcass weights had increased 165 pounds (lb.) since the program’s inception and the fabrication style had changed.

“When the original standards were established back in 1978, we sold a lot of carcass beef,” Norton says. “Over the next two

decades an evolution occurred in the way we process cattle. Most of that external fat is taken off in the packing plant now.”

At the same time, the trend toward bigger cattle produced ribeyes too large for foodservice and retail. In 2006, the Board voted to replace the yield grade (YG) 3.9 cap with more specific limits: a ribeye area of 10 to 16 square inches (sq. in.), hot carcass weight less than 1,000 lb. and external fat thickness less than 1 in.

“The quality specifications have never been compromised,” says Davis, who took the Board reins before packing plants adopted the changes in January 2007. “This just narrowed the specs for more consistency. That’s been the whole key. With a branded product, the more you can go back and get the same thing again and again, the more you’ve got something you can rely on.”

Brand extensions, naturally

Consumers have always been able to rely on the brand’s exacting standards. As CAB grew into a mainstream anchor for quality beef, the company began to offer premium brand extensions. CAB Prime was introduced in 2000, with the highest-quality specifications in the U.S.

In a more recent example, people looking for “natural” products were often unable to find a high-quality promise until the CAB brand tapped that category.

“The leadership team felt there was clearly a need for natural, based on input from licensees who said they’d be able to sell it,” Jim Riemann, CAB president from 1999 to 2006, says.

Although the concept was discussed for many years, it didn’t come together until 2004 when the “never, never, never” standards were created and B3R Country Meats in Childress, Texas, began producing it. Besides the 10 other CAB specifications, cattle must never receive antibiotics, hormones or animal byproducts.

Tracey Erickson, vice president of marketing for CAB, explains why it was not

a quick decision. “We wondered, ‘Should we produce natural? What does that say about traditional *Certified Angus Beef*?’ Then we recognized this was a choice for the consumer. And if it drives demand for

Angus cattle raised that certain way, or adds value to the chain, then we realized it would be viable.”

It took a couple of years to build specific demand, which was more easily met when a new supplier stepped forward in

2006. The Beef Marketing Group (BMG) of cattle feeders and Tyson Fresh Meats came together to form a closed supply chain for the product.

“All at once the supply of CAB Natural became much more secure and allowed the brand extension to grow at a much faster rate,” Riemann says. Now, elite restaurants even feature CAB Natural Prime steaks.

John Butler, chief executive officer (CEO) of BMG, says natural beef is a growing trend that fits their business model.

“Aligning with producers, extracting more value out of that animal while delivering a product for a consumer makes good sense,” he says. Some of the 15 BMG feedlots are CAB-licensed and exclusively target CAB Natural.

“It’s unique in our industry to be so committed to a brand as to develop an entire supply chain around a consistent weekly supply for those specifications,” Butler says. From procurement to cattle care, feeding and traceability, BMG has made adjustments.

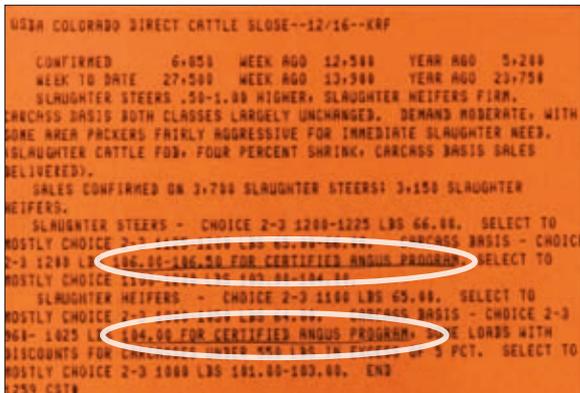
“Angus cattle are not just Angus cattle,” he says. “To really make a program like this work, you have to be able to understand those genetics to be able to ensure a high-quality, CAB-type carcass.” It also takes end-user relationships, “rolling up your sleeves and really marketing and merchandising.”

Not business as usual

If anyone sees the importance of pounding the pavement for the sake of the brand, it’s the international division. In December 2003, the event that shook the U.S. beef industry rattled the brand, too.

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► The first packer incentives were given for qualifying cattle in 1986 by Litvak Meat Co., Denver, Colo.

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“We essentially had every international market shut down within 24 hours of the BSE (bovine spongiform encephalopathy) cow discovery in the United States,” Riemann says.

Of course, there was no connection between that cow and the CAB supply chain, but doors were slammed on all U.S. beef, he noted. “Our international team refused

to accept those results and started working very, very aggressively to get back in those markets.”

While the export share of CAB sales dropped from 17% in 2003 (prior to BSE) to 9% in 2005, the division used the disaster to strengthen ties down the road.

“Our efforts better positioned us moving forward as the markets reopen,” Stika says. “Our focus on maintaining and building stronger relationships with committed accounts has been a point of success. We’re growing our CAB business at a quicker pace than even U.S. beef overall, recovering volume share in these same markets.”

The shift in focus led to a 51% growth in Canadian sales in 2007 and another 25% this year as that country sits atop the list of international markets with 23 million pounds (lb.). Similarly, Mexican sales increased by 20% in each of the last two years to reach 18 million lb. Reopening Asian markets are poised to lift the division’s share back to and then past its 2003 mark of 85 million lb.

Innovative ideas

BSE also meant opportunities in the U.S., like the creation of precooked boneless short ribs.

“Our retail, foodservice and value-added teams all circled around the issue and started promoting cuts typically bound for overseas to domestic licensees,” Riemann says.

An oversupply of product is rarely the problem. The reverse is often true.

“When supply is diminished for any reason, this very innovative staff will get us better utilization out of the carcass,” Norton says. “They’ll look at some of the lesser-known cuts and make them into products that fit a wide range of pricing options for our consumers.”

From frankfurters and deli meats to fully cooked meatloaf and smoked brisket, branded value-added products help sell more of each animal under the CAB brand.

“Once you identify this very elite portion of the cattle population, you have to figure out a way to utilize as much of each carcass as possible,” Rishel says. “That goes beyond just high-quality steaks in white-tablecloth restaurants.”

Producer connections

With growing demand, both internationally and domestically, the aptly named Supply Development Division realizes its aim through interaction with the feeding, seedstock and commercial cow-calf sectors.

The Board moved to create the division in 1982.

“We felt a day was going to come when we couldn’t reach out and license another packing plant,” Colvin says. “We knew it was going to take a long time to pay dividends, but we could see that supply development was necessary.”

In 1996, as the last of the big packers joined ranks with the brand, the “SDEV” team had been ramping up its efforts to increase numbers and improve CAB acceptance rates.

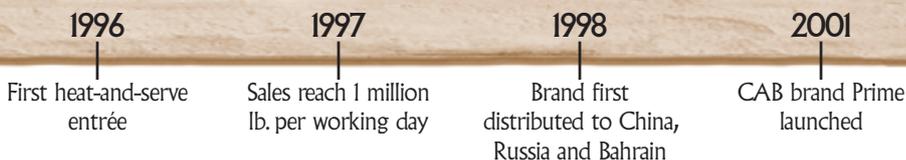
Its first task was to help lead structured sire evaluation for the Association, to identify bulls that excelled in carcass merit along with other economically important traits.

“Our supply development team was the conduit for gathering information and then allowing producers to interpret



► Sam Hands, owner-manager of Triangle H Grain & Cattle Co., Garden City, Kan., in 1999 signed up to become the first licensed CAB Feedyard.

CAB TIME LINE



and implement that,” Stika says. “We’ve continued to focus on that information gathering through our licensed feedlots, but we’re much more aggressive and involved in the interpretation of the data. We’re also more assertive in asking questions of the industry.”

An industry information program began sharing ideas and articles with producers in 1998, soon followed by the Feedlot-Licensing Program (FLP). Both continue to gather information and can help producers see the value of selection and management that includes attention to carcass quality.

“If they have ownership all the way to the plant, producers quickly understand where the premium is and how much more they can get,” Bergfeld says.

Now the SDEV team, which includes a marketing division, focuses on coordinating relationships through all levels of the production sector.

Building the network

“I don’t know if there is another brand that brings together so many segments of the industry where everyone benefits and yet is part of something so much bigger,” Erickson says.

New York’s DeBragga & Spittler was among the first licensed distributors in 1982. Owner Marc Sarrazin remembers getting the product and thinking that it looked a lot like other Choice beef.

“Then we did some tastings. We ate the product and it was incredible,” he says. “We started bringing the product in right away and that was it, still the largest portion of our beef business by far. Our motto is a ‘tradition of excellence.’ We don’t sell anything that’s not the best.”

People like Sarrazin and Tim Hussman, of the L.A.-based Newport Meat Co., carry the brand image to the foodservice level.

“The differentiation has to be ongoing when everybody has an Angus burger on the menu,” Hussman says. “It takes constant education, work on everybody’s part. We’re just the end of the train, the last stop before it hits the plate. We just have to make sure that

we represent the product and add as much value as we can before it’s served.”

A 25-year licensee, Newport has seen all the different ways CAB interacts with its partners from a few dedicated staff to the “executive account manager” approach that assigns 10 regional staff to markets across the U.S.

“I used to pick up the phone and talk to Mick Colvin,” Hussman says. “Now there’s so much more marketing material and support, but it’s still very much a people-to-people business.”

People business

Those who were with the company early on, including former CAB assistant director Hussman, recall its humble beginnings: staff meetings at the Colvins’ kitchen table, agonizing over the first computer purchase and the first annual conference when the handful of participants could tour Angus farms.

Colvin fondly remembers celebrating milestones in the early 1980s.

“When we sold the first million pounds we went out to a *Certified Angus Beef*-licensed restaurant. There were four of us,” he says. “We used to have a party after we increased by

a million pounds — two and then three million — but we kind of got away from them because today we’re marketing a million pounds every five or six hours.”

What was once called a niche program by many certifies nearly 8% of all cattle in the mix today.

“There are still meats other than *Certified Angus Beef* hitting the tables in homes and foodservice.

Until it comes to a point that everything out there is CAB, we haven’t gone as far as we can go,”

Davis says, looking to the future.

Of course, there are a few limits. But Davis says, “Whenever there is a challenge, the CAB team goes on offense. They don’t just play defense to keep somebody else from scoring; they’re proactive in bringing the quality advantage home to everybody from consumer to producer.”

The brand tracks progress with pounds, but Stika emphasizes that maintaining or enhancing quality always comes first. That’s why, since the days of Virginia Colvin’s paper notebook, through today’s bank of computer servers and Brand Assurance Division, every pound of CAB brand product is tracked from packer to consumer.

“With the combination of a high-quality product, brand integrity and great people promoting the product, the brand looks toward a future of a billion pounds sold within the next 10 to 15 years,” says Brent Eichar, CAB senior vice president and 21-year employee.

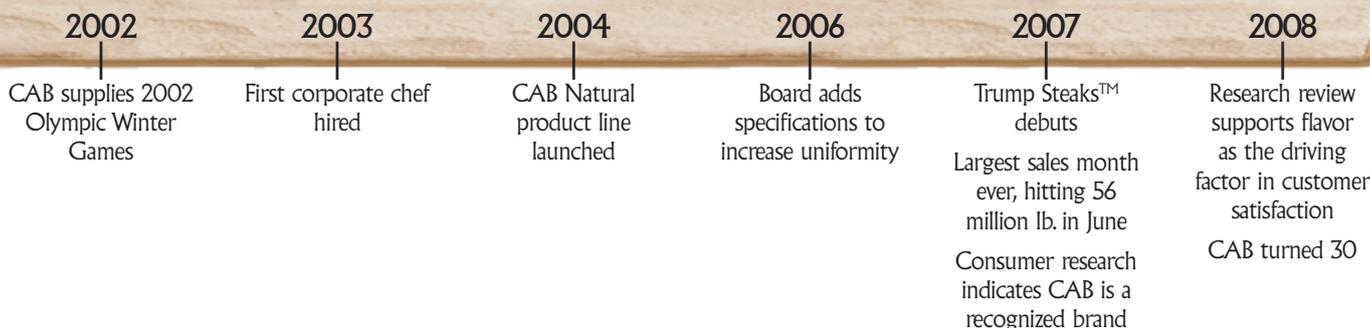
“That’s not automatic,” he adds. “It’s going to take a lot of continued hard work at every level and by each link in the chain. But those numbers are consistent with our past record.”

“We have to look at our market as being global,” Norton says. “There is no reason we

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►Bryce Schumann, Mick Colvin and John Stika toast CAB’s 30th anniversary at the 2008 Annual Conference.



can't be the most successful branded beef program in the world."

Stika agrees that international growth is one way to get there. Overseas or

domestically, growth can only happen in close tandem with licensees.

"It's not a function of reinventing the business model, but taking advantage of what

was put in place long ago that has worked so well, just stacking it higher," he says. "Our best days are yet in front of us because our potential is still a lot greater than all we've accomplished in the past 30 years."



A record of innovation

The *Certified Angus Beef*® (CAB®) brand was created as a reaction to the 1976 USDA beef grading change. Right? Not exactly.

Knowing the change was coming may have quickened ideas that were already circulating, but an Ohio Angus breeder detailed his vision of the brand in August 1975.

Harold Etling, Marshallville, Ohio, a businessman whose interests included Angus cattle and beef, storm window patents and baseball, clearly saw a need and opportunity in his letter to American Angus Association Director Fred Johnson.

When Etling decided on Angus in 1944, it was because the breed produced "superior meat" and "feeder steers commanded a premium." The quality was still there, but steers were sometimes selling at a discount in 1975.

"There is one area where the national Association could do more than anything else to bring Angus back to the top of the marketplace," he wrote. "Establish a certification or franchise program for a restaurant ... or meat store that sells only top-quality Angus."

He called for product specifications and a "rigid contract and inspection program," envisioning licensing at several levels, as well as a brand assurance division. The move was necessary to reverse the "considerable damage done to the Angus name" by businesses that claimed Angus beef sales without the integrity of an Association-backed program.

Etling saw need and future value in developing a logo, such as the now-famous CAB shield, along with extensive marketing efforts that would work to add value to Angus. Ultimately, he wrote, success of such a program would help eliminate the kind of Angus cattle "that do not meet the requirements for greater growth and conformation."

A few years later, in October 1980, the *Angus Journal* noted that 1 million pounds of product had been sold and closed with these words: "Ambitious? Yes. Complex? No doubt. But expansion of the CAB program has vast potential."

Such words were often used to describe the program, but they also fit the people, from Etling and Johnson and first executive director Mick Colvin, on down through history.

"They decided they were not just going to continue to do the same thing and get the same results," Bill Rishel, 1996 CAB Board chairman, says of the founders. "They would do something about the problems that were causing a decline in beef demand."

"Dr. Bob (VanStavern) set up the requirements based on good science. Then it was the tenacity and honesty of the people," says T.D. Steele, 1990-1991 chairman and Roanoke, Va., producer.

The credit roll includes American Angus Association Board Members, Directors and employees. Other Angus breeders, packers, distributors and licensed restaurants all contributed to early successes and are still vital today.

Marc Sarrazin of DeBragga & Spittler, an inaugural licensee in New York, N.Y., recalls annual conferences when he knew every member of the Board by name.

"The collaborative effort and brainstorming we did — I learned so much about the meat business — I'd never seen anything like it," he says. "CAB helped foster those relationships and it was wonderful."

Before official events or even an office, early brand supporters held the idea together because, as VanStavern reflects, "We didn't know it couldn't be done."

As the first pound, and then the first million pounds were sold, Colvin began to surround himself with thinkers. "I hired the right person for the right reason and then stood back and watched them go to work," he says.

"Mick was one of the best ever at interviewing and hiring good people," Steele says.

"Some of them have been with us ever since."

Tracey Erickson, CAB vice president of marketing, joined the company's International Division in 1992 when there were still only a few employees.

"It was a small group of people who were very passionate and focused on their individual areas, driving this unique program," she says.

The specifications backed the brand's promise of high quality, but the system ran on data reports. Steele was Colvin's ally in pushing for new layers of reporting and records that led to the purchase of a computer in 1990 — a big event at the time.

"Our checks and balances became so good that some of our distributors started using our figures," Steele says. "On the other hand, we also made the brand stronger by taking the license away from businesses that didn't live up to our requirements."

Now, what once was a small group is up to nearly 100 employees, self-directed by its executive team and overseen by a nine-member Board of Angus producers, American Angus Association and industry representatives.

Some things have remained the same. "Mick set an example in gathering a hard-working, knowledgeable and eager staff," VanStavern says. "He engrained that attitude in the young people and then didn't dampen it."

Jim Riemann, president from 1999 to 2006, and current president John Stika have built on that progressive environment.

"Mick used to say that if I hadn't made any mistakes, I probably wasn't stepping out on the branch far enough," Erickson recalls. "If everything was perfect, we weren't in the innovator position that CAB needed to be in."

"In recent years when we've looked for a silver bullet from somewhere else, we've always come back to our base," she adds. "It may be 30 years later, but we're still the innovator, still trying to do our part for the industry."

