

CAB at the Dawn of a New Millennium

Annual report of activities.

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CAB value-added products were center stage last summer when four CAB heat-and-serve entrées rated as finalists for the checkoff-sponsored Best New Beef Products 2000 Award. One of these, the CAB Bubba Burger™ hamburger from Eaves Foods, won “best new product by a small company.”

subsidiary of the American Angus Association reorganized as a limited liability company. It also beefed up its promotional presence and production focus, including the first-ever production in Canada.

Angus producers can expect more world attention and demand for the high-quality beef they produce as CAB joins the U.S. Olympic Team in Salt Lake City, Utah, for the 2002 Winter Olympics. The news that CAB will be the official branded beef supplier of the Salt Lake Games was announced Feb. 2, 2000, and continues to grow in significance as the marketing effort builds.

The Olympic spotlight shines on CAB value-added products, some of which were center stage last summer when four CAB heat-and-serve entrées rated as finalists for the checkoff-sponsored Best New Beef Products 2000 Award. The RMH Foods Quick N Easy™ top sirloin steak in bourbon sauce won grand champion and best retail product, and the CAB Bubba Burger™ hamburger from Eaves Foods won “best new product by a small company.”

Many producers see the DNA research breakthrough early in the year as the biggest news from CAB in 2000. A partnership with the Ohio State University (OSU) Agricultural Research and Development Center (ARDC) resulted in the discovery of a DNA test for predicting marbling and tenderness after four years of work by scientists Francis Fluharty and Daral Jackwood.

DNA destiny

Throughout the year, further DNA research, validation and field-testing efforts kept on track plans for a commercial laboratory opening this fall. Blood samples for DNA analysis were drawn in several

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Making value-added CAB® products available to the foodservice industry was a priority in 2000, providing new opportunities for licensed processors.

Approximately 13.5 million cattle have earned *Certified Angus Beef*™ (CAB®) carcass acceptance since the beginning of Certified Angus Beef LLC (CAB) in 1978. Most of that branded beef supply rolled down the line in the last five years, including more than 1.9 million CAB carcasses just last year.

While the low-inventory swing of the national cattle cycle held the number of certified carcasses in 2000 to about the same level as in 1999, big gains in carcass utilization led the way to a 15% growth in pounds of product sold.

That number grew from 493 million pounds (lb.) in 1999 to 565 million lb. sold by 8,000 restaurateur and retailer licensees in the United States and 52 international markets last year. Six more countries and hundreds of licensees were opened to CAB sales, compared to the previous year; the International Division's 24% growth led the company.

For CAB, the year 2000 was one of reaching out to producers and consumers, entering a 23rd year of adding value to Angus cattle through marketing the world's leading branded beef. The nonprofit

states from hundreds of commercial feedlot cattle with known sires and dams. DNA marker patterns are being correlated with individual carcass results and parent DNA markers (on a research basis only).

The potential of the DNA test is significant for several reasons.

First, it would enable testing and prediction of potential marbling and tenderness as early as blood samples could be drawn from a calf, allowing plenty of time for focused management toward the predicted outcome.

Second, by sorting to those predicted outcome groups, producers could save money on those cattle without the potential to reach higher grades.

Third, after research correlates the test for individual potential with heritability, it could give producers the power to modify herd breeding decisions much sooner.

DNA testing should be quick and easy to implement at the ranch, requiring just a few drops of blood at birth, branding or weaning. A central processing laboratory, which is projected for late 2001 in Wooster, Ohio, could process results in about a week for less than \$10/head. Cost savings of \$40-\$50/head are possible by knowing potential in advance, Fluharty says.

"Some cattle simply have the potential to produce high-quality, tender beef, and others do not," he says. "Quality differences in beef can't always be corrected with dietary adjustments."

On the other hand, having the right DNA markers isn't an automatic ticket to carcass premiums. "Potential will only be realized if there is proper nutrition and management throughout an animal's life," Fluharty explains. "There's no reason to incur more feeding expense when you know the cattle won't grade."

Clear incentives for genetic sorting could be a driving force toward value-based marketing systems. Still, it will take some time before the technology is commonplace in the industry. Significant producer interest is expected for 2001 calf crops at weaning and 2002 calf crops at birth. But even with these forerunners embracing the test, the first beef from commercially evaluated cattle wouldn't arrive in the retail case until spring 2002.

"Widespread use of this technology could eliminate nontender genetics over a 10-year period because no registered breeder would proliferate cattle that flunk the test for tenderness potential," Fluharty says. That would be good news for consumer demand.



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In the meantime, field studies continue. November saw hundreds of cattle tested in Iowa, Montana, Nebraska and South Dakota. One particularly interesting trial is looking at DNA markers on two successive calf crops from the same Nebraska cow herd, half raised as yearlings and half calf-fed, all under the same management without implants. The study will help determine if predictability differs when keeping calves around another half year or heading them to market at a year of age.



Northern lights shine on CAB

Continued strong demand for CAB product led to licensing two Canadian processing plants late last year. The brand has been sold in Canada since 1991. As satisfied consumers requested CAB product from retailers and restaurants, Canadian demand grew substantially, and additional supply was warranted.

On Sept. 25, 2000, the first Canadian-graded CAB branded beef rolled down the line at IBP's Lakeside plant in Brooks, Alberta. Cargill Foods' plant at High River, Alberta, is scheduled to begin production early this year.

The move came after a year of extensive investigation with the Canadian Beef Grading and the Canadian Food Inspection agencies that established a system equivalent to the U.S. Department of Agriculture's (USDA's) to ensure the stringent CAB quality standards.

Although not identical to the USDA system, brand standards have been maintained, including identification, certification, labeling and reporting procedures. The two Canadian agencies provide the unbiased, third-party verification required for product consistency and quality.

"Consumers around the world trust the *Certified Angus Beef* brand because it is based on high standards," says Jim Riemann, CAB president. "We have developed a system in Canada to maintain those standards — to continue pleasing consumers."

Key Canadian licensees anticipate demand will double when fresh CAB cuts are produced domestically. Canada is the brand's second-largest international market,

where licensees sold 15 million lb. of products last year, and volume is expected to double in the near term.

With potential Canadian production from the two plants at 7.3 million lb./year, U.S.-produced CAB cuts will continue to augment the supply to meet current and anticipated demand levels.

An Angus producer and owner of Hobart's Steak House in Lindsay, Ontario, Ken Found believes it's the CAB brand that keeps his customers coming back. "They know when they order a meal they are going to get the same consistent quality every time," he says.

Found credits the expertise in the program, the volume of quality product and the brand's integrity. "I think the Certified Angus Beef Program has proven that if you offer people a quality product consistently, they will purchase it and will even pay a premium for it," he says.

The entire Canadian beef herd is about 10% of the U.S. herd, and about 15% of it is Angus-type. About 400,000 of Canada's 2.7 million annual fed-beef harvest have the potential of meeting the basic live specifications for CAB product. Prior to the new licensing agreements, many of those cattle had been entering the United States.

Off to the races ...

When the world's premier sporting event comes to Salt Lake City, Utah, Feb. 8-24, 2002, the world's premier beef will be there. Through this association with the 2002 Olympic Winter Games, demand for the CAB brand should keep the Angus breed moving forward at world-record pace.

Anticipated outcomes include increased demand for the breed, expanded marketing options for Angus-type cattle and enhanced credibility for the Association's own CAB brand vs. a growing number of Angus competitors.

"The *Certified Angus Beef* brand symbolizes a quality product, and the Salt Lake Organizing Committee (SLOC) is committed to staging quality Games at every level," says Mitt Romney, SLOC president and CEO. "We assure the best possible products will be served to athletes, officials, spectators and the media by joining forces with Certified Angus Beef LLC."

The suppliership is a natural for CAB, with SLOC's focus on an all-American experience at the Games. CAB brand frankfurters, barbecue beef, pot roast and three deli meats will be served at all venues, the Olympic Village and sponsor hospitality



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areas. These items are also being served to athletes at U.S. Olympic Training Centers in Colorado Springs, Colo.; Chula Vista, Calif.; and Lake Placid, N.Y., through 2004. They were served to the Olympic Team at the 2000 Summer Games in Sydney, Australia. At the 2002 Winter Games alone, 200,000 meals/day are planned.

Don Pritchard, SLOC director of food services, is the chef and mastermind behind the Western-theme menu for the Games. With 27 years of foodservice experience, he plans to bring finer fare and traditional American favorites to the Olympic kitchens.

"We literally searched to find the best hot dog in the U.S.," he says. "We took corporate chefs to the plant to make sure everything was 100% quality."

August taste tests with SLOC staff and media confirmed the selection. Nearly 500 sampled the CAB frankfurters against the nation's leading brand. CAB franks claimed the gold, gaining high marks for their all-beef flavor, spiciness and plumpness. Excitement continued the day after the tasting when *USA Today* ran three stories about the frankfurters, covering half a page in its Aug. 3 "Olympic Glory" section.

Strengthening enthusiasm for the CAB brand continued in September when the frankfurters assisted SLOC in its transition to the spotlight. The 2002 Olympic Winter Games' "Go West" display at the International Olympic Committee

Hospitality Center in Sydney offered great, all-American favorites, including CAB frankfurters, potato salad, chili and cole slaw.

"The *Certified Angus Beef* frankfurters received rave reviews from corporate sponsors craving great American food away from home, as well as many international guests trying them for the first time," says Deanna Scrimger, CAB Olympic coordinator. "It's a prelude to the excitement that will come in Salt Lake City in 2002."

At the Games, Pritchard plans to spotlight food like never before at an Olympic venue with well-known U.S. chefs conducting cooking demonstrations for athletes and sponsors using an array of quality ingredients, including CAB items.

"Our 'Spirit of the West' concept places American cuisine on the world stage. We will help identify what quality is from an American aspect," Pritchard said. "From my experience as a chef, the *Certified Angus Beef* brand — including the barbecue beef, deli meats, roast beef and franks — are symbolic of the quality Americans expect." A more mature audience traditionally attends the Olympic Games, he adds, and these people are quality-minded.

Marketing power associated with this elite event should vault the CAB brand to new heights of consumer awareness, Scrimger says. "The *Certified Angus Beef* Olympic Supplier Mark forms the core of our marketing efforts, appearing on fresh and value-added packages in U.S. retail stores, point-of-sale material, available attire, our image-building promotions and licensee advertising," she explains.

By last fall, plans were underway to include CAB products on the menu at Salt Lake Olympic venues in late 2000. A Five Nations Cup men's hockey competition and other events are scheduled before the Games. These will provide a good test for the facilities and support services, such as foodservice, Pritchard notes. Pre-Games exposure also provides more opportunity for the CAB brand to make an impression with consumers.

Adding convenience to taste

There's a new generation of foods that have been dubbed "value-added" by food manufacturers. Chefs, food writers and retailers call them "home meal replacements (HMRs)"; consumers just call them *necessary*.

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Everyone agrees they want more. A longtime player in the value-added arena, CAB increased its emphasis with a line of products that pleases consumers, captures prestigious industry awards and helps further distinguish the Angus breed.

In 2000, the fully-prepared CAB pot roast and prime rib that won awards in 1998 had to share stardom with new winners and finalists. CAB brand top sirloin in bourbon sauce captured the beef industry's championship by earning the National Cattlemen's Beef Association (NCBA) Best New Beef Product Award. The CAB Bubba Burger hamburger took the association's award for the best product by a small company. CAB meat loaf and barbecue products placed as finalists in the foodservice and retail categories.

Across the country, licensed processors turn typically underutilized cuts into premium convenient products. The quality and consistency of the CAB products give processors the confidence to invest in new-product research. CAB branded products offer consumers outstanding beef products from those that require virtually no preparation, such as deli meats, to prime rib and Philly cheese steaks that prepare in minutes.

Six of the brand's many value-added

products were selected for use at food venues at the 2002 Winter Olympics in Salt Lake City. "The awareness of *Certified Angus Beef* value-added products has grown from an industry focus to capture the interest of major players in the consumer marketplace and foodservice industry," says Brett Erickson, the newly appointed director of CAB's Value-Added Products Division. "They are interested in *Certified Angus Beef* as a component or as the entire product. They see the consumer demand for quality products."

Making them readily available not only to the consumer but to the foodservice industry was a CAB priority during 2000, when five new licensed processors were brought on board.

"The new licensed processors are having an impact on the availability of products to the foodservice industry," Erickson says. "It gives our licensed distributors new options for value-added products. The foodservice industry is only interested in quality value-added products that please their clientele while having the ability to address the staff shortage and rising costs."

"We have had tremendous success with our value-added products, and we expect them to flourish and expand," Erickson says. From the current 10-million-lb. sales level,

he projects expansion to annual sales of 100 million lb. within five years.

Meanwhile, back at the ranch . . .

The CAB Supply Development Branch boosted its programs to new levels in 2000, gearing up to meet stronger demand and seeking chances to help producers capitalize on new opportunities.

The producer-oriented team's effort to jump-start vertical cooperation among Angus cattle producers and feeders led to a near-doubling of the Feedlot Licensing Program (FLP), which grew to 60 licensed feedlots in 16 states with a one-time capacity exceeding 600,000 head.

More than 90% of the 24,000 fed cattle enrolled in 2000 met visual requirements for CAB evaluation. At processing, carcass acceptance rates approached 20%, compared to the national average of 18.3%.

Acceptance rates were down across the board from 1999's excellent 20.4% mark, which were the result of bullish cattle and bearish corn prices. Weather and market-condition changes last year led first to overfinishing, then fewer days on feed with poorer performance, none of that friendly to CAB acceptance. As Angus seedstock producers join forces with CAB to help channel more high-quality cattle into FLP feedlots, specific management for the quality target will move acceptance rates higher.

Progeny testing for carcass merit continued at a near-record pace in the face of a rapidly expanding ultrasound evaluation program. A record 5,600 sire-identified cattle were tested, compared to 4,885 in 1999. The CAB acceptance rate among those cattle was 29%. Overall, more than 15,000 progeny went through the Carcass Data Collection and Analysis Service, off the record mark of 17,619 in 1999. Reflecting a refined focus, the division's name changed to the Genetic Programs Division.

At year's end, all Supply Development divisions were finding new ways to help Angus producers get the most from their cattle, working in concert with the Association's Commercial Relations Division to spark greater participation in the Angus Beef Records Service (BRS) and Angus Resource Clearinghouse Network (ARCNet). This "Team Angus" approach promised to build profit opportunities for producers while building the brand.



These Nebraska Angus herdsmates are part of continuing research that will further check individual predictability and gain insight into heritability of DNA markers.

