

THE FRONT GATE

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Angus feeder-calf program: Part 2

Last month I shared with you the American Angus Association's plans to introduce a feeder-calf program this summer. To have the type of robust program that is envisioned, however, required the Association to make an acquisition. I want to use my time this month to share with you how the acquisition of Verified Beef came about.

A little history

Founded in 2007, Verified Beef is a Montana-based company that provides animal identification, traceability and process verification to help cattle producers market cattle. Owned by Verified Livestock LLC, which is owned by Tim and Shirlene Watts, Verified Beef offers five USDA process-verification programs (PVPs) that help producers sell into niche markets.

Verified Beef also owned Reputation Feeder Cattle® (RFC), a next-generation feeder-calf program. RFC allowed users to document the genetic potential in their calves for economically important traits sought by cattle feeders, while also helping cattle feeders understand how these cattle may perform in the feedyard and as carcasses on the rail.

While RFC based its results on a dollar scoring system, its underlying data analysis methodologies and computer modeling has the capability to be adapted to alternative scoring systems, such as the indexing system envisioned by American Angus Association.

Matter of timing

Acquiring Verified Beef with its advanced software platform would allow the Association to enter the marketplace in months rather than

having to take years to develop its own feeder-calf program.

For all intents and purposes, the Association acquired a technology company. At the same time, by acquiring the company we kept it from being purchased by a competitor, which could have posed a real challenge to the success of our program. We would have been developing the software for our program, but whomever ended up owning RFC would have been building market share while we attempted to build our program. This would have put us at a real competitive disadvantage.

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The Association paid almost \$4 million to purchase the assets of Verified Beef. While it is a significant amount of money, it's important to keep in mind that this purchase is well within the means of the Association. Furthermore, it's an investment into our future as in a few years the program is projected to be a contributor to the Association's bottom line. Even more importantly, I'm confident that the program's real benefit will be to increase the value

of registered Angus bulls.

It's important to point out that it is not lost on the leadership of the Association that this acquisition represents a significant investment in our lengthy history. As we pursue our common goal — to grow value for the Angus breed and our members — it's imperative that we make wise investments that will pay dividends to the Association in the long term.

Quite simply, acquiring an existing feeder-calf program will allow us to realize our goal of a feeder-calf program faster and more economically. Internal development would take years. We stood to lose not only time, but also the cost of human capital diverted to research and development.

The Verified Beef acquisition will give the Association's new feeder-calf program a significant marketplace advantage. That marketplace advantage will pay dividends by providing value to members in the years to come by increasing the value of Angus bulls in the marketplace. That's good for every member.

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