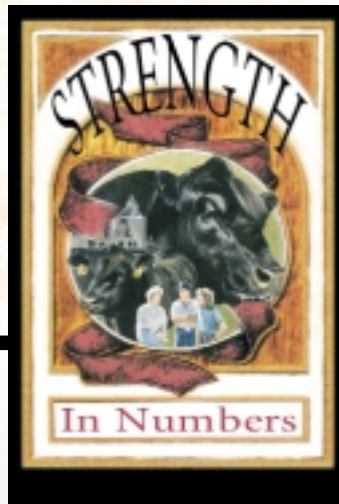


3rd
in a series



TROY SMITH PHOTO

ALIGNED FOR QUALITY

*The brainchild of Angus producer Doug Hoff,
Angus America brings industry segments together to work as a team.*

BY TROY SMITH

This waning decade may be remembered as the period when the concept of value-based beef marketing took root. What grew was the notion that cattle of above-average quality and uniformity really do represent above-average value. The principle is easy to accept but hard to implement in a segmented industry where a majority of cattle traded are priced on the average.

“It’s so frustrating for producers who work hard to identify and buy the kind of genetics that put quality and uniformity in

their cattle but don’t get paid for that added value,” says Doug Hoff.

Raising Angus seedstock since 1968, the Bison, S.D., breeder and his wife, Molly, have shared the frustration felt by commercial cow-calf customers unable to capture the true value of their quality feeder cattle.

■ **Creating an alliance**

“I wanted to help bring buyers and sellers together,” says Hoff, “but I realized the idea of pulling together wouldn’t work without a complete program with all industry segments pulling in the same

direction. So in 1995 I started talking with cattle feeders and packers about forming an alliance that would emphasize carcass quality and develop channels to market branded beef products. That’s how Angus America got started.”

Hoff built a list of feedyards that were willing and able to finish cattle for the high-quality beef market and began sorting through prospective packing partners. The search led to Beef America, which had a history of targeting quality. With that Nebraska-based beef processor, Hoff formed Angus America as a limited-liability company, and a carcass merit pricing formula, or grid, was established.

“We wanted to be a full-service

Above: To date, nearly 4,000 animals have come through the Angus America system, representing about 300 producers from across the country.

company. As well as developing a market for producers, we wanted to provide all the tools that would help them continue improving their product. That meant getting performance data back from the feedyard and carcass data from the packer — all the information that could help influence genetic selection and management decisions,” explains Hoff.

“We involved other seedstock breeders, so they could offer Angus America’s service to their customers,” he continues. “We have about 40 breeders involved, and growth of the program actually works through them. They help their commercial customers get into a feeding system and help them to use the performance and carcass data as a selection tool. Of course, the seedstock breeders benefit from the carcass data gathered on bull customers’ cattle.”

■ **Changing partners**

The project has stumbled along its way, but the major setback came last year when Beef America, in the wake of a labor dispute, closed down. Hoff then turned to Excel, which had been given serious consideration in the original search for a

packer. He credits the company for helping to pick up the pieces and put Angus America back on course. Even before signing on as the alliance’s official packing partner, Excel filled an immediate need by agreeing to use the existing formula to buy cattle already scheduled for slaughter and to provide the carcass data.

“Excel bent over backwards to work with us; and when we worked out the details for a permanent relationship, Mark Nelson came on board as our coordinator,” says Hoff. “To go with his experience as an Excel buyer, Mark is interested in the cow-calf side of the business.”

Nelson’s home base is Hastings, Neb., but he logs lots of travel miles and jokes about the crick in his neck caused by hours spent cradling a phone to his ear. Telephone time is spent talking with individual producers, feedyard managers and personnel at Excel’s three processing plants. In addition to scheduling cattle for slaughter and assuring data feedback, Nelson facilitates other Angus America services.

“For producers who have not fed their own cattle, I can put them in contact with managers of about 40 recommended

feedyards that feed on a custom basis or partner with customers,” explains Nelson. “I put together a newsletter through which producers can list calves for sale and advertise replacement-quality females, and I can provide a list of affiliated seedstock sources, many of which offer discounts on bull and semen purchases. We also have some commercial sponsors — good sources of information, and they offer attractive rebates on animal health and feed products.”

■ **Membership**

Nelson says the basic membership fee to access Angus America services is \$2/head. If members choose to sell their cattle along the way and not retain ownership through to slaughter, there is no additional charge. If the cattle are sold on the Angus America grid and processed by Excel, electronic ear tags enable collection of individual carcass data including carcass weight, yield grade and quality grade. There is an additional \$3/head charge for data and the electronic tag.

“I believe the services are very worthwhile for the producer who wants to do business past the end of his own driveway,” Nelson says. “If producers are not trying to produce a better product, they’re going to be unhappy in the future. The day is coming where they won’t be able to work on the averages and survive. This is an affordable way to find out what you really are raising and continue to improve.

Nelson says producers looking strictly for premiums are missing some of the most important aspects of the program. Still, he calls Angus America’s pricing formula a competitive, premium-driven grid.

“On Monday of each week we schedule cattle for the next week’s kill,” he explains. “To establish the grid’s base, we look at the USDA (U.S. Department of Agriculture) average price for the same week the cattle are scheduled, and we look at the average kill performance of the plant, that week, to make our Choice, Yield Grade (YG) 3 par price. So a producer’s cattle are compared to all cattle killed that week and premiums and discounts applied to the base. I think it’s one of the better grids out there, and we re-evaluate it every six months.”

During recent months about 500 head of program cattle were processed each week, but Nelson anticipates weekly tallies nearing 2,000 head by next fall. To date, nearly 40,000 animals have come through the system, representing about 300 producers from all across the country. Most,



ANGIE STUMP DENTON PHOTO

Mark Nelson, left, came on board as coordinator when Excel entered a permanent relationship with Angus America, which was inspired by Scotch Cap Angus Ranch’s Molly and Doug Hoff, right, of Bison, S.D.

however, have come from the Midwest and High Plains.

■ Members' reactions

Among the satisfied Angus America members is Wyoming's Glen Barlow. His family's century-old operation manages 500 commercial Angus cows near Gillette. Calves are kept as yearlings, then sent to a custom feedyard. He uses feeding performance and carcass data as cow-culling tools to keep improving the quality and uniformity he has tried to breed into his herd.

"We've been retaining ownership for five years, and we've made money every year but one," tells Barlow. "The first year, we sold cattle live and we did get back carcass information, but we didn't think we got paid what they were really worth. We looked at some value-based systems and tried a couple of other grids before joining Angus America."

Calling it the best grid he's seen so far, Barlow says his last two groups through the program averaged \$61/head above the five-area weighted average. With hardly any heavy carcasses, YG 4s or dark cutters to trigger discounts, Barlow's cattle usually grade around 90% Choice with 30%-40% meeting *Certified Angus Beef*[™] specifications.

"Angus America premiums for Choice have been pretty good to us. We've seen \$3 premiums for Yield Grade 2s and \$5 for 1s. We've gotten up to \$3 for CAB [Program] qualifiers and \$5 for Prime," Barlow adds. "On this last bunch, we averaged \$4 a hundred over what we could have gotten on the cash market."

With headquarters near Dunning, Neb., Zutavern Ranch Co. manages commercial cows bred to Angus bulls selected for carcass traits and a balance of maternal and growth traits. Along with his father and brothers, Con Zutavern also manages a 2,000-head-capacity feedlot where they have finished their own cattle for 20 years. During that time they have sold cattle on the cash market and tried several different formula grids, including Angus America's.

Con Zutavern says his family liked the program's emphasis on quality. That's their goal, too. Years of data collection show that Zutavern cattle consistently grade more than 80% Choice and dress as YG 2s and 3s.

"We wanted to get paid for the quality," says Zutavern. "We sold cattle through Angus America three times over an 18-month period. Each time, we did as well as or better than any of the alternatives. The



TROY SMITH PHOTO

Con Zutavern likes the Angus America program's emphasis on quality. His family's operation also prioritizes quality and consistently sells groups of cattle of which more than 80% will grade Choice and dress as YG 2s and 3s.

premiums were better; and while we haven't sent cattle since Excel became the processor, it looks like their updated grid's premiums are better yet."

Recently, however, Zutavern has shied away from selling on any formula grid, feeling the seller was at a disadvantage on at least a couple of points. For one thing, Zutavern wanted to sell cattle within a week prior to delivery instead of committing the cattle nearly two weeks ahead, as is often required. For another thing, instead of a base price derived from USDA prices or cash market averages, Zutavern wanted room to negotiate with a buyer.

"Selling cattle more than a week ahead really makes them part of the packer's captive supply," explains Zutavern. "We feel it's important to be able to negotiate a base price."

■ New options

Salve for these sore spots comes with the recent announcement that Angus America is offering producers the option of a negotiated base or the customary formula.

"The negotiated base will be used to best advantage by sellers who really follow the markets closely," says Mark Nelson. "It might be a disadvantage if a seller waits until late in the week to make a trade, because it makes it harder for us to schedule

a really timely delivery to the plant; but delivery is something that can be discussed at the time of negotiation. With today's rapid trade, a producer should be careful not to miss an opportunity to negotiate a good price while waiting for a better one."

According to Hoff, the negotiation option comes as a result of input from Angus America members. While he's confident that the alliance has much to offer, he knows that nothing is so perfect that it can't be made better.

"We've been trying to work with all Angus America participants to improve the pricing system and keep it fair for all involved. It's designed to reward producers who produce a superior product. It does that. Just as important, it is designed to channel consistently high-quality beef to the consumer," says Hoff. "Consumers realize far too many bad beef-eating experiences. Our industry has to be accountable and turn that around. Angus America was designed so that seedstock breeders, commercial producers and feeders could work together with packers and retailers to make it happen."

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