

LEAD IN

by Richard L. Spader Executive Vice President
American Angus Association



Angus is in the best position of any breed of cattle to the current cattle cycle. Not only can we weather it, we can continue to increase share of the business...

We Can Weather the Storm

The break in the cattle market that hit in late May wasn't completely unexpected. Cattle Fax and others who study the cattle market have been warning of a coming price decline. It's just that the decline wasn't expected to hit this soon.

Some believe that finished cattle prices could regain part of their losses in late summer or early fall. This would be good for feeder cattle prices and, in turn, would take some of the pressure off bull prices at fall and winter sales.

Whatever happens, it is almost a sure thing that we have already seen the best prices in the current cycle. It is going to take some herd liquidation or an unusual spurt in consumer beef demand to return prices to the profitable levels we have experienced over the past few years.

Despite what has happened I am very positive about the Angus business in the years ahead. Our business may not grow as fast as it has the past eight years or so, but the next few years offer us a good opportunity to increase our share of the bull market. Here's why:

First, there is going to be downward price pressure on lower quality cattle—cattle that aren't efficient to feed and that won't grade Choice. In fact it is already happening. This will mean that commercial cattle producers who want to get top price for their feeder cattle are going to have to consider using more Angus bulls.

Second, as feeder cattle prices decline, more and more breeders will consider retained ownership as a way to earn more money from their cows. Producers who retain ownership and then see their cattle discounted because they don't grade Choice, are going to be looking for Angus bulls, particularly Angus bulls with positive marbling expected progeny differences (EPDs). This, too, is already happening in some part of the country.

Third, there will be more articles

written and speeches made promoting the fact that we must think more about the ultimate consumer. We will be told time and again that breeding programs should be geared to producing juicy, flavorful and tender beef. To achieve this, particularly flavor and juiciness, requires marbling. And as Gary Smith of Colorado State University told a group of beef producers at the World Beef Expo earlier this year, Angus is the only breed that has proven consistently that it will help whatever breed is crossed with it to get into the Choice grade. The right kind of Angus cattle is a necessary ingredient in the production of high quality beef.

Fourth, we have the Certified Angus Beef Program. Although overall beef demand hasn't grown as much as one would like in the past few years, demand for Certified Angus Beef™ product is at an all time high. The concern is not that we don't have a product that consumers want. The concern is that we have supply to meet demand. Our breeding programs should always be designed with the Certified Angus Beef Program in mind.

Finally, there are all the programs in effect today that try to imitate the Certified Angus Beef Program or capitalize upon the impeccable reputation it has developed. These programs often lack the quality and quality control of the Certified Angus Beef Program, but they still provide a growing market for Angus cattle, one that we can be thankful for.

Angus is in the best position of any breed of cattle to weather the current cattle cycle. Not only can we weather it, we can continue to increase our share of the business by providing commercial cow-calf producers with the genetics they need to maximize their beef cattle income.

A handwritten signature in cursive script that reads "Richard L. Spader".