

The Certified Angus Beef (CAB) Program always has been demand-driven and customer-focused. But no one knew how effectively that tradition would translate into an effort to develop the live-cattle segments until the Feedlot-Licensing Program (FLP) debuted this January.

After six months, one thing was clear: A demand-based beef program is well-received among cattle feeders. Representing 22 firms, 28 feedlots in 10 states already have signed on as licensed partners in the FLP. Six more are committed to sign this summer. According to Bryce Schumann, feeder-packer relations assistant director for feedlot licensing, "Inquiry and demand remain strong."

It's too soon to tell exactly how much this partnership, fast approaching a half-million-head capacity, will improve *Certified Angus Beef™* carcass acceptance rates, but the numbers look promising.

"We are confident this program will not only increase the number of cattle meeting specifications for the CAB Program," says Louis "Mick" Colvin, executive director of the CAB Program, "it will also continue our tradition of adding value for producers who have included Angus carcass merit as a part of their production equations."

Information value

"The FLP creates an unprecedented information-sharing system that should add value to Angus and Angus-type cattle for all industry segments, from the seedstock producer to the packer," says associate executive director Jim Riemann. "The information should enhance the ability of producers and feeders to produce cattle that perform more efficiently on feed and have higher carcass acceptance rates for meeting *Certified Angus Beef* specifications."

Chad Stine, packing division director, says *Certified Angus Beef* carcass acceptance rates



STEVE SUTHER PHOTO

Information Central

The Feedlot-Licensing Program creates an unprecedented information-sharing system to add value to Angus and Angus-type cattle for all industry segments.

BY STEVE SUTHER



could post a decade-high 20% average level for 1999, with product sales of nearly half a billion pounds.

"The Feedlot-Licensing Program will help maintain the level of carcasses

certified and add to

that," Stine says.

Beyond that, feedlot partners can study seasonal trends and begin to target placement or finishing dates to fill the gaps so acceptance rates show less seasonality. The FLP "offers the potential to either pull cattle forward or spread cattle out over marketing periods to eliminate some of the fluctuation we have typically seen," Stine says. "Historically that has meant garnering higher premiums."

The "Commitment to Quality" program established and administered by feeder-packer relations assistant director John Stika will play a

large role in helping the FLP realize its potential. That, in turn, will help commercial cow-calf producers realize the potential in the genetics they acquire from Angus seedstock producers.

Stika explains that FLP quality assurance includes a growing database that cross-references cattle by genetics and management systems. "Through the database we'll learn how to better manage the differing ages and genetics on feed," he says. "The ultimate goal would be that, when a set of cattle comes in, we'll plug the parameters into the database and output a recommended management system based on historical performance."

Services foster links

The information-based aspects are attractive to many feedlot managers and their customers. Gary Darnall, owner-manager of the 10,000-head Darnall Feedlot, Harrisburg, Neb., says, "Most of

our customers are retained-ownership ranchers who want to get carcass data so that they can make business decisions on their herds.

"They are excellent business managers and hungry for knowledge," Darnall continues. "They eat up all that they can get to be able to make those decisions, especially on the genetic end of it. We've been trying to get that information for a number of years, and initially it was difficult to get. It's easier now — that's one of the main reasons that we first wanted to be affiliated with the Certified Angus Beef Program."

With a fee base of \$2/head, some commercial cow-calf producers may simply see the FLP as the most economical carcass data service available, Stika says, but it's much more than that because of enhanced marketing opportunities, help with interpreting data and other forms of service after the sale.

Program services are designed to foster the link between licensed feedlots and the cow-calf sector. Darnall says, "I truly believe that if we are going to progress in the beef industry and have a more-consistent-quality product, the key is going to be the rancher's having the knowledge to make those adjustments in genetics and management. He's the key to the whole program."

Part of the program's attraction, Darnall says, is in recognizing that the need to increase carcass quality must go hand in hand with the need to enhance production capability and profit opportunities. "That doesn't mean we can't have performance with carcass quality," he adds. "It may be just a little harder to accomplish out on the ranch."

Optimize marketing

Once those cattle are in a Program-licensed feedlot, Stika says, "they will be managed to diminish discounts and marketed to garner premiums."

More complete information at every sector will help facilitate price discovery. "We recognize



Gary Darnall



Bryce Schumann



Larry Corah



Chad Stine

that economics drives the industry," says Schumann. "Our goal is to drive supply, but we can't do that by sacrificing profitability on the live side."

Texas cattle feeder Roger Clift sees the information-based program as an advantage in marketing. "With the demand for *Certified Angus Beef* product, this is where a producer can begin to get a fair shake," says the manager of Hansford County Feeders, Gruver, Texas, a 33,000-head CAB Program partner feedlot. He looks forward to developing a structured live-cattle market with premiums based on history and *Certified Angus Beef* acceptance rates.

Market opportunities and the potential to carve a quality niche in the Panhandle area were factors in Clift's decision to license. But the overall package was the main attraction.

Brand loyalty

"I believe the industry is rapidly moving toward branded beef, and CAB® is far and away the most successful branded program today," Clift says. "The demand is excellent, and we want to be a part of it."

"I'm just excited about the whole thing, especially the CAB Program's ability to sell those secondary cuts. I mean, you can't argue with those trend lines," he says. By contrast, he

notes, "Every time you go to a meeting, you hear about how bad the beef industry's doing with demand, how sorry a job we're all doing. And you go talk to these [CAB] guys, and it's just phenomenal what's happening."

Stika and Schumann enjoy the excitement. Especially the fact that it permeates every segment of the industry.

"Retailers, restaurant owners and exporters love the product. Packers want more of it, and feedlots see the Program as a way to put more value in their high-quality cattle," Schumann says.

"Information is power," says Larry Corah, assistant executive director for supply development. "There is going to be tremendous value as our database grows to include carcass data assessments."

Green tag value

"The Feedlot-Licensing Program will also represent tremendous value to the packer," Corah says. "The CAB green tag says these are Angus or Angus-type cattle, that the management has been through a stringent quality-assurance training program, and they have been raised in a way that will optimize their level of certification as CAB carcasses."

Packing director Stine agrees: "One indication of how successful this could be is that

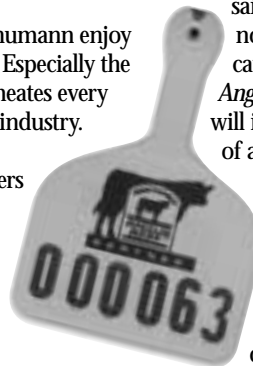
packers are telling their buyers to look for those tags. Some of them have suggested their feedlot customers should become licensed because they are feeding good-quality Angus-type cattle. And one packer has said the feedlot program will not only improve those cattle meeting *Certified Angus Beef* specifications but will improve the overall quality of all the cattle."

Demand is still in the driver's seat. "We're seeing continual development in being able to capture added value for the higher-quality cattle," Corah says.

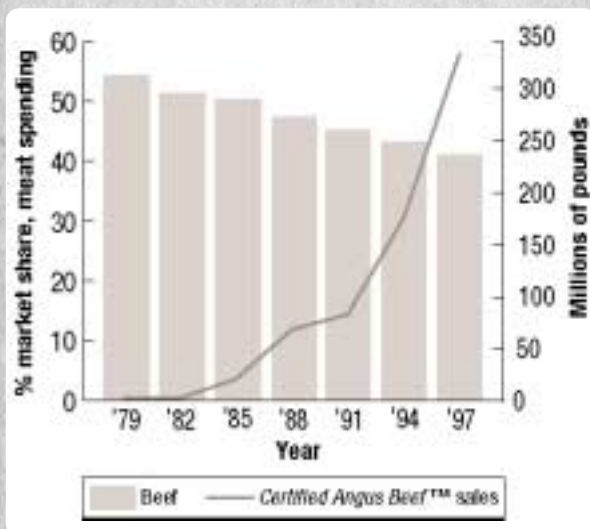
"We are going to see these cattle sold through an array of marketing options that reward the added value with premiums — true value-based marketing."

Along the way, the database will grow, of course. Darnall's customers, each an individual, will find individual data to guide their operations. Clift's customers, no less unique, will begin to learn about winter feeding and grazing alternatives and their effects on both carcass quality and profitability.

"I think, in a year or so, we will be able to design management systems that take into account the genetics, adapt our management to hit those times when demand is highest for *Certified Angus Beef* product, and have the marriage of performance and product acceptance that there should be," Clift says.



Beef market share of meat spending vs. sales of *Certified Angus Beef*™ product



Source: USDA and Cattle-Fax