

# CAB at 40

## THE BEEF COMMUNITY'S BRAND

*Through growing pains, the decades bring milestones of relevance.*

*by Laura Conaway, Certified Angus Beef LLC*



# ANNIVERSARY

1978-2018

The Certified Angus Beef® (CAB®) brand turned 40 this year, tapping into an increased well of available and qualified cattle, up 25% in two years. With annual global sales reaching beyond 1.2 billion pounds (lb.), it's pulled far ahead of a very large pack, the hundreds of other brands combined, falling short.

To be fair, it's always held a big lead. The last decade of year-to-year growth only shows what an elemental force the brand has become, gaining momentum with each and every stride.

Yet, before the billion-pound years and consecutive records, it was like any other good idea trying to take root. For reasons that have never been replicated, it worked.

"Everything lined up," says Randy Blach, CEO of CattleFax. "Consumers had to understand the value of the brand, producers had to produce enough of it and the economy had to be strong enough to support consumers' buying habits.

"All those stars had to come together."

It was a perfect storm, comprised of resilient leadership and ordained timing. Seen in another light, it was all just an accident, an entertained idea gone right.

Those on the inside, the brand's closest confidants know it was never predestined. It took time. The early days in a house in West Salem, Ohio, remnants of the fertile soil where integrity was planted and a good thing outgrew its roots.

Life in Wooster moves faster for CAB and its partners. The 145 men and women on staff see to that.

With its mission unchanged — to increase demand for registered Angus cattle through a specification-based branded beef program to identify consistent, high quality beef with superior taste — the future now looks a lot like it did in 1978: uncharted, yet highly anticipated.

On the brink of its fifth decade, the world's leading and looked-at beef brand keeps a bit of mystery to its vest. Every opportunity and challenge births more of the same; the key is to control it, harness its power for good.

“It’s not an easy space to navigate,” says Ted Schroeder, agricultural economist at Kansas State University (K-State). A tough environment to survive in, many a CAB competitor has come and gone.

“It’s more than just, ‘let’s put a piece of steak on a plate and the consumer is going to love it,’” Schroeder says. It takes a deep dive into figuring out how to make an entire system work; even then, it’s not a guaranteed win.

“I’m amazed by it,” the professor says. His team’s studied the brand from afar and tips their hat to its success. “Our blackboard said it should work, but CAB showed us, pragmatically, that it does.”

Like rungs on a ladder, each new step laid the foundation for the next worth noting.

“It’s rare and it’s why you don’t have 50 CABs out there,” Schroeder says. “You’ve got one and that’s simply all it takes.”

## THE TIPPING POINT

Economic disasters, perhaps predicted, always show up uninvited.

The ink barely dry on the pages of CAB’s 30th fiscal year, brand president John Stika had suggested, “Our best days are yet in front of us.”

In the fall of 2008 CAB was arguably still a niche. The Choice/Select spread drove premiums in a market that higher quality beef would later dominate.

CAB had recovered enough to set modest sales records after the global trade disruptions of 2004 when the worst economic disaster since the Great Depression made landfall. Partners in the industry tightened resources and the brand braced for impact.

“When all you have is a premium brand to sell, you believe that, by God, tomorrow’s going to be a better day,” Stika says.

His team in Wooster had confidence in the product and saw the value in its price, but for good reason, the industry worried.

“The assumption was consumers were going to move away from beef or go to cheap beef,” Brent Eichar says of the financial crisis. “We saw the opposite happening.”

The senior vice president of CAB brings an unrivaled perspective. He signed on just after everything moved out of that little house on Ruff Road in West Salem and now has an office next door to Stika’s.

“People stayed home, they didn’t go out to dinner.”

Instead they went to the store and bought high-quality beef because that was worth their hard-earned money.

“For every pound we lost in foodservice, we probably picked up two pounds in retail,” Eichar says.

The price/value relationship, what economists will call a

theory, CAB watched develop in real time. Dollars saved on generic green beans meant more was available for premium protein, but still the disbelief and questions came.

“You guys are crazy. We assume your sales are down,” was the commodity side’s consensus.

Be that as it may, brand sales weren’t down and wouldn’t be again for at least a decade.

“There was the mortgage crisis; the stock market didn’t collapse but had significant declines, and the latter affected almost every for-profit business,” Eichar recalls. “Well here we were, a not-for-profit, so we didn’t care about stock price, we’re paid on a cents-per-pound basis so we didn’t have to cover those margins.”

Stika adds, “I mean, it was amazing.” A decade doesn’t dim his appreciation. “Consumers didn’t quit eating and they didn’t quit buying premium items. They just got more discerning.”

Candidly he’ll admit, he didn’t see it coming.

“To be perfectly honest, it’s not something you plan for. You can’t create a strategic session around a global recession that doesn’t affect our economic model, but that in itself was almost perfect timing.”

Or fate.

Regardless, it stirred in them a fresh confidence and laid the groundwork for a decade unlike any other before it.

“It set the stage for everything else we experienced,” Stika says. Take the drought in 2010:

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“If we wouldn’t have seen that kind of pull-through in relation to value in 2008, boy, when the drought gets here, we’re in no position to see a maintenance of that supply.”

The data was striking. Producers responded to the signals. “Hey, this CAB thing seems to be working in tough times,” Stika says.

The U.S. cow herd was the smallest it had been in ages, yet CAB head counts were at an all-time high. Herds were rebuilt with premiums in mind, which ultimately sent producers home with dollars in their pockets.

Other CAB partners did the same.

“I want to say we were up 10% in retail that year (’08 recession),” Eichar says, noting the effects of a model that pays a set amount on pounds sold. “Everybody else was pulling back and we still had resources to invest,” and equally as important, ideas left to execute.

That was the tipping point, the first domino to fall in just the right direction.

Responsibility never weighed heavier.

## A NEED FOR TRANSPARENCY

The brand went to the drawing board. In side rooms and corner offices, conversations brought on ideas, people and passion. The goal remained to increase demand for Angus cattle. The freedom, the challenge lay in how to do it.

A Montana ranch visit came to mind.

“It was one of the first intentional chef experiences that we did,” Stika recalls with candor. John Doherty, New York City’s electric culinary innovator was then executive chef at the Waldorf Astoria New York and the brand’s only chef ambassador at the time. Doherty believed in the product but wanted to see it for himself. A camera followed him to Sitz Angus

Ranch, near Dillon, Mont.

Cowboys on horseback, dogs trailing behind, the snowcapped mountains — all fit the chef’s wondering imagination to a tee. But Doherty thought it was all just curated.

“So this cowboy rides up beside him and John asks, ‘so you’re here for the photo shoot, too?’ Stika recalls of the trip.

To hear Doherty’s recount is even better: “We’re walking toward the ranch and galloping down the road come these cowboys with actual ropes, and I’m like, ‘son of a gun, they even went as far as bringing in cowboys for this film.’”

That was a reasonable misunderstanding, but the chef represented the wide-spread need for producer transparency.

“It was a big realization that until you show them everything,” take them to the big-scale feedyard, let them set foot in a pasture,” Stika says,

“there’s always going to be some doubt in the back of their mind, like we’re hiding something.”

CAB would drop the curtain.

With production in full swing, attention turned to the streets and the army of a sales force needed to get the brand in more restaurants. The Masters of Brand Advantages program was born.

A three-week intensive course for distribution-house sales staff, what’s known as the brand’s MBA is serious work. For Steve Weissler’s crew at Performance Foodservice Middendorf (PFS), near St. Louis, Mo., it’s a requirement for business.

The challenge when adding to your sales team, Weissler explains, is the lack of beef knowledge in employees. It’s hard to train folks, not to mention it’s time consuming and expensive.



*Chef John Doherty (R) visits with Donna Sitz at Sitz Angus Ranch near Dillon, Mont., to learn about “the other side” of the beef business. Doherty was the first of many chefs, restaurateurs and consumers who now have similar experiences through organized CAB events.*

The MBA program mitigates most worries. Recently retired from PFS, Weissler has sent at least 25 employees through CAB's flagship program.

"If your career path is foodservice sales, then it's a must to attend," Weissler says. His company has partnered with the brand since 1986. "Not only is it incredible at connecting to the farm, but it's a tremendous resource and gives my guys the confidence to go out and sell the greatest brand of beef in the world."

The MBA success initiated the next move. Borrowed space in a university meat lab or meeting hall wasn't working well. But there was a kind of intrigue tied to Wooster. What exactly did CAB employees do there and how did they add value to the brand?

A home base could answer those questions.

It was Eichar who threw out the idea of buying a restaurant next door. It could be worthwhile, it seemed, to have a place where people could gather to experience the brand rather than just be told about it.

Funds from the unexpectedly large commissions of 2008 and 2009 led to the purchase of what would become CAB's Culinary Center, the catalyst in a complete evolution of how CAB trains and interacts with its industry partners. Since opening in 2012, nearly 600 groups have walked through its doors.

## A SMART CHANGE

Well before the people arrive, the cattle better show up first.

A specification adjustment in November 2014 would help. A requirement of less than 1,000-lb. hot carcass weight increased to an upper limit of 1,050 lb.

It wasn't a rash decision, says Doug Schroeder, CAB board chairman at the time. The cattleman from Clarence, Iowa, recalls many a table conversation

where motives were analyzed, and the consumer was always considered first.

"Are we doing this for money," he recalls the

examinations of their conscience, "or because we need to stay relevant and meet the demand people want?"

The board answered and made the call.

"The cattle were getting bigger," says Mark McCully, CAB vice president of production. There was no arguing with reality. "The economics supported it, and we needed them to get bigger to make sure our

end users had enough product to sell."

Plain and simple.

"It wasn't about gaining sales," McCully says. "It was about staying relevant within an industry whose economics were driving carcasses bigger and putting at risk the program and the position of the program within our retailers."

The brand celebrated a 15-million lb. increase in sales that year. Had the adjustment not been made, calculations had CAB fiscal numbers down 50 million compared to the year prior. Instead, producers saw more premiums and customers filled their meat cases completely full.

Ed Steinmetz, vice president of meat and seafood for Giant Eagle, a Pittsburgh-based retailer with more than 230 locations, saw the benefit firsthand.

"Managing ever-increasing carcass weights at retail from a cost-per-package perspective is a challenge," Steinmetz says. He won't sugarcoat it. But the old specification for CAB was keeping out a lot of the higher grading cattle that would have otherwise easily qualified.

"By opening up that spec, you've now enabled a lot more CAB into the market," he allows, "and that's always a plus."

Economist Ted Schroeder argues that its actually



*A meat lab and full kitchen at CAB's Culinary Center give visitors the chance to see the brand come to life. Breaking down primals, experimenting with new recipes alongside CAB meat scientists and chefs create lasting memories for attendees.*

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critical for success.

“If you stock out, you’re out of the game.”

Once you develop a product with loyal customers who have loyal customers of their own, “you absolutely have to be able to supply that product,” Schroeder says. “Otherwise it’s bells and whistles with nothing to deliver.”

## PROFIT FOR THE COW MAN

CAB wanted results, and there’s nothing like cash in hand to solidify a point.

The way you make a brand work, Schroeder says, is you have everybody in the entire value chain pulling it the same way.

“The individual producer,” he says, “is an opportunist.” He has to be. CAB had to get down to that level.

Shifts in quality signals since 2008 show they did.

“The dollars coming back on grids over the last 10 years is pretty amazing,” McCully says. His team works with cattlemen to grow supply and, in turn, boost their individual profitability.

The data shows it works.

It was a heavy ship to turn. At the brand’s inception in 1978, cattle were sold live, all as commodity. Ferrari or Honda, it made no difference, both were going to the scrap yard for disassembly.

Tireless efforts from founder Mick Colvin and the team he built saw premiums trickling in by the 1990s.

Today it’s a different story. At a rate of \$8,500/hour, cattlemen collected \$75 million in CAB

premiums in 2017. That’s up \$23 million since 2015, bringing accumulated total premiums to more than \$700 million, more than half of that paid in the last seven years of the brand’s reign.

In tandem, premium Choice and Prime surpassed Select as a percentage of beef from all fed cattle.

“One could argue it took 30 years to get to 500-600 million lb. sold, and the next 10 more than doubled that figure,” Eichar says. “We’ll be at a billion-two this year.”

There’s a silence that surrounds it all. It took so long to get here, diligence and time of folks who no longer even work for the brand, and yet the present brings a loss for words.

“We moved out of the nice little niche program into an economic signal of significance,” McCully musters to himself.

There’s nobody to argue the point.

Blach adds his thoughts with this quality grade analysis: not long ago, calves from the U.S. beef cow herd were grading close to 50% USDA Choice and Prime; it’s now 80%.

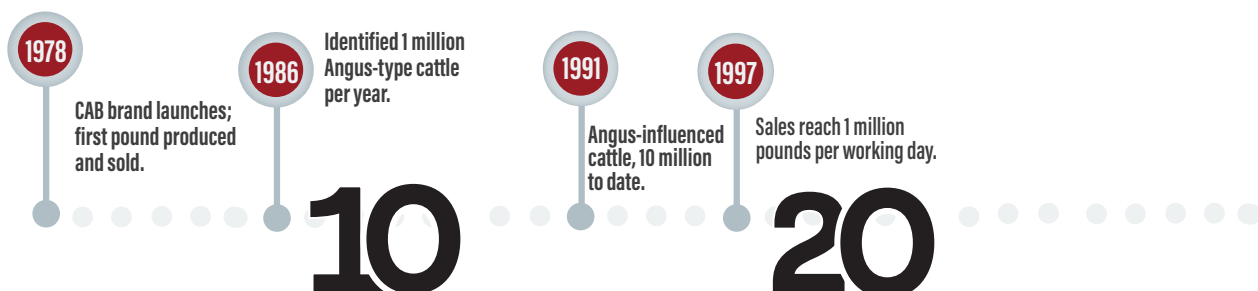
The real story goes beyond that achievement, he says. “We’ve been able to maintain premiums paid that were comparable to when cattlemen were producing 15 to 20 percentage points less of this total meat supply.”

Premiums have held in spite of the positive change they encouraged.

“That tells you beef demand is very strong,” Blach says, “and consumers want that high-quality eating



*L to R: Brent Eichar, senior vice president, John Stika, president, and Mark McCully, vice president of production at CAB bring a combined 68 years of service to the brand. They’ve enjoyed their front row seat watching the quality beef movement take hold.*



experience they know and understand coincides with a CAB product.”

The brand has been the single biggest driver in the quality grade movement that we’ve seen over the course of the last 20 years, he says. In the meantime that incentivizes producers to keep making high-grading cattle.

From 1979 to 1998, U.S. cow-calf producers made, on average, \$2 per head on an annual basis.

“Two dollars,” Blach says. “Since that 1998 low, producers have, on average, made \$175 per head.

“That’s a marked improvement in profitability that’s been driven by demand growth, and that is tied right back to CAB.”

### A CONDUIT FOR COMMUNITY

It’s obvious CAB is on an upward trajectory. At 3.32 million lb. sold per calendar day, USDA’s original certified program is still the market leader. But those who don’t bend can break.

“Maintaining relevance requires constant change,” K-State’s Schroeder says. In an industry where technology is on the rise, “you have to evolve with it. You can’t be the same company that started this deal 40 years ago.”

For CAB, that’s looked like all of the above and then some — big picture ideas and strategic hires.

The culinary staff expansion reflects where it’s headed now.

Another reason John Doherty, now executive chef and owner of New York City’s BLACKBARN Restaurant, is still a fan.

“Good cooking starts with a great product, but it’s also about handling that product in a way that brings out the best qualities of it,” Doherty says. “To be able to inspire chefs with innovation and flavor and taste, it’s beyond raising the bar.

“It’s a total refabrication of the brand.”

CAB’s Culinary Center has been at the forefront of that change. With a full-service bar and kitchen, a meat cooler and butcher block, the brand comes to life within its walls.

But that’s all it is, Stika says, just a building with walls. It’s the people (including six chefs today), “these relationships that make it so cool.”

Cattlemen and chefs, packers and feeders, they’re all connected through a thread that is the consumer. The honor becomes strengthening those bonds, being a conduit in the community.

“We’re finding out now that it doesn’t always have to be about us,” Stika says. “Sometimes you win in a relationship when you bring people together.”

Altruism at its finest.

It’s not about relinquishing control on the brand’s own turf, neither stepping aside nor letting things go. It’s sincerity found in subtleties, establishing a home that exudes the premium nature expected of the product, but doesn’t force it.

“The logo doesn’t always have to be studded in rhinestones,” Stika says. Partners sharing in an experience does the brand just fine.

If CAB’s good at anything it’s connecting people, telling a true story.

So what’s to come of the brand that changed beef? If the last 10 years are a testament, it’s anyone’s guess.

But success has a way of refining things, and the brand has a knack for putting the right people in the right spot. As dreams continue to drive it forward, its roots keep it grounded.

“CAB carries a name that in and of itself speaks to quality, but not just of quality product, quality of a vision,” Schroeder says. “I think there’s a lot we can learn from CAB that has nothing to do with food.” 