

# LEAD IN

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"It doesn't seem fitting," someone wrote to us the other day, "that CAB is sold at a premium price and yet we don't get premiums for our cattle."

I have heard this several times since the terrific CAB presentation at the Partners in Profit Conference in Billings, Mont. It is a legitimate point.

What most people overlook is that the Certified Angus Beef program pays us all a premium in the form of improved Angus merchandising and promotion. There are 5,000 restaurants and more than 625 retail stores that sell Certified Angus Beef, many of them exclusively. The retailers tell millions of people each week about the merits of CAB and indirectly about the merits of Angus cattle. The total advertising budget of the American Angus Assn. wouldn't last more than a few weeks if we used Association advertising money to inform the public about Angus beef. Worse, we wouldn't have funds to advertise Angus to the commercial cattle producers, who are the primary source of income for most registered Angus breeders. So, in effect, we get this CAB promotion for nothing.

As use of CAB spreads across the nation into more rural areas, an increasing number of farmers and ranchers become aware of the CAB program. This has to affect their decision-making process when it comes time to purchase bulls. CAB activities also generate good public relations news stories that are read by thousands of cattle producers.

But the overwhelming benefit of CAB to registered and commercial Angus producers, is simply that it builds demand for our product--Angus cattle. As demand for CAB increases, and it was up 48 percent in the 1988 fiscal year, there is increased pressure on beef packers to identify and purchase more black cattle, the kind that are lean and high grading and will qualify in high proportions for CAB.

This is happening today. Some packers already pay a premium for carcasses that qualify for Certified Angus Beef. But even if packers don't always pay a premium for black cattle, they increasingly have to compete for them, and that means paying the top price for the right kind of properly finished Angus steers and heifers.

We can't expect the improbable. Packers are in the business to make money and they won't pay a penny more for Angus cattle than is necessary. It is a little like you or me at an auction sale. I buy at the lowest possible price, and love now and then to get a "steal." If you always bid the full value for a bull, regardless of whether anyone is bidding against you, then you are unique. But if two or three other people want the same animal you do, and know what he is worth, then there is every likelihood that the bull will bring his fair market value, maybe even more.

In the end, that's what the Certified Angus Beef program is all about. It is designed to boost competition for Angus and Angus-cross feeder and finished cattle and thus increase demand for Angus seedstock. To some extent this is happening already, and for the past couple of years Angus bulls have sold out in some parts of the country. This year registrations of Angus were up slightly, and more important, the average price of Angus bulls sold at auction was at another all-time high of \$1,940 for the 1988 fiscal year.

Viewed in this perspective, it is difficult to miss the value of the Certified Angus Beef program to the Angus business. Premiums, bonuses, benefits, all come in many forms. Even though you can't tell it, the CAB program is affecting, to some extent, the price you receive for your registered cattle or Angus feeders. And, as the program grows, it will continue to have a growing positive impact upon your Angus business.

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