

CAB at 25

Silver for the beef industry's gold standard.

by *Steve Suther*

Certified Angus Beef LLC (CAB) celebrated its silver anniversary in October, recalling the moment in Renzetti's IGA, Columbus, Ohio, when the first pound of *Certified Angus Beef*® (CAB®) product sold.

This year, 11,500 licensees worldwide sold 585 million pounds (lb.) of CAB products at \$2.3 billion, garnering premiums for Angus producers via pull-through demand.

"The good times are here," says Brent Eichar, CAB senior vice president. After 17 years of accounting, analyzing and managing the brand, Eichar knows the numbers.

"Some weeks the major packers paid as much as \$80 per head just for the CAB component on their grids. That fluctuates, but it is regularly \$30 to \$40 — a clear incentive to produce," Eichar says. "We see no slowing in demand from existing markets, nor from those areas where we don't yet have enough licensees. CAB is truly limited only by supply. When just 18% of Angus-type cattle qualify for the brand, there is tremendous upside potential."

Things didn't always look so bright,

however. Anyone who was producing Angus cattle 25 years ago knows the frustration of selling at a discount. If you believed in Angus cattle, you believed you were selling the best for less. Consumers, if they knew anything about a good steak, guessed it should be grain-fed Angus.

They were usually right, but there was no system to identify and deliver these products, or to provide feedback to the producer. A restaurant might call itself the Angus something-or-other, or make claims on the menu. But managers, chefs, waitresses and customers experienced disappointment too often.

Angus producers grew discouraged by a U.S. beef industry that had embraced larger and leaner Continental cattle. When that industry persuaded the U.S. Department of Agriculture (USDA) to widen its Choice and Prime grades to fit the lower quality, producers decided to act.

Branded ideas

A bad steak inspired Harold Etling, Marshallville, Ohio. He

conferred with Fred Johnson of nearby Summitville, who was on the American Angus Association Board of Directors with Robert Giess, Arnold, Kan. They brought Etling's ideas to the Board in October 1975.

If the Association could license retailers and restaurants to market top-quality Angus beef, Etling suggested, demand for Angus cattle would rebound. Nobody knew enough about the product side to say how or if that would work, but the Board appointed a committee to look into it.

Greensburg, Ind., producer Gilman Stewart was chairman. Etling, Johnson, Giess, and Ed Elliott of Mount Victory, Ohio, joined staff coordinator Keith Evans and, later, Chicago, Ill., banker Elliot Frank. After two meetings, including one with Marriott Inc., Stewart told the Board in July 1976 that the concept would require more staff but would not pay for itself, at least initially.

Angus registrations had been in an eight-year decline and money was tight in Saint Joseph, Mo. The branded beef idea was tabled, and the committee was encouraged to keep "working with packers and retailers to see if there was a way to get the two together," Evans reported in his 2001 book, *A Historic Angus Journey*.

The Ohio producers were convinced it would work, given the chance, and they were near enough neighbors to meet often. In late 1976, Association regional manager Mick Colvin of West Salem, Ohio, stopped by and asked questions that cut to the heart of the issue.

CONTINUED ON PAGE 100

Brand Timeline

1978



First packer: Val Decker Packing Co., Piqua, Ohio



First sale: Renzetti's IGA, Columbus, Ohio

1979

USDA grants approval of G1 for first certified brand



First retail distributor: Oxford Trading Co., Boston, Mass.

1980

First restaurant: Maple Root Inn, Coventry, R.I.



First million pounds sold to date

1981

Phase II supply development concept approved by Board

1982

First fabricator of CAB product: Beef Specialists of Iowa

First foodservice distributor: DeBragga & Spittler, New York, N.Y.

1983

First international retailer: Pueblo Int'l, San Juan, Puerto Rico



First international restaurant: Shangri-La, Singapore

“I had no interest in the meats end,” Colvin recalls, “but I asked, ‘Can you identify Angus cattle in a high-speed packing plant and maintain identity to the consumer? Will the consumer pay more for the product?’ The committee asked me to find the answers.”

Colvin replaced Evans as staff coordinator in a reorganized Ohio-centric committee that included Charles Cannon, Flemingsburg, Ky. Frank attended as often as possible. Excitement grew as Ohio State University (OSU) meats professor Bobby “Dr. Bob” VanStavern helped them find answers (see “Scientist Behind The Sizzle,” page 109).

Given the chance

In 1977 the Association Board voted to fund a \$50,000 pilot program, despite income projections of only \$6,000. The sole source of income would be fees of 1¢ to 7¢ per pound of CAB product, paid by licensed packers. However, there were no licensed packers at the time.

The CAB Program debuted in 1978, with Colvin as executive director (see “Certified Visionary,” *Angus Journal*, September 1999). He sought legal advice about visual type and licensing, as well as science-based brand specifications that would stand the test of time.

“We knew we had to add value,” VanStavern recalls. “Consumers were buying other things, and beef is better than that. But we knew there was no long-term future in

Table 1: Specifications to qualify for the CAB brand

- ▶ 51% black hide;
- ▶ neck hump of less than 2 inches;
- ▶ “A” maturity (9-30 months);
- ▶ modest or higher degree of marbling;
- ▶ medium or better marbling texture;
- ▶ USDA Yield Grade (YG) 3.9 or leaner;
- ▶ moderately thick or thicker muscling;
- ▶ no internal hemorrhages; and
- ▶ no dark-cutting characteristics.

just saying a product was ‘Angus.’ Studies said we needed marbling, and we knew Angus genetics could provide that type of beef, with some selection and management effort.

“We simply set the minimum standards to give a high degree of assurance of an enjoyable eating experience,” he says (see Table 1).

The live specifications were designed to increase the likelihood of Angus influence. The USDA agreed that only predominantly Angus cattle could meet both the live and carcass specifications. All standards must be met to earn the CAB brand — a determination made by the USDA, not plant or brand employees.

Although specification-based beef production on a large scale was unheard of prior to the CAB standards, VanStavern’s contribution to the industry has never been

altered. The standards have been copied, in part, by other brands throughout the years, but none have duplicated the complete CAB formula that includes Association ownership and a brand assurance division to monitor compliance.

Differentiation became the key. “We knew we wanted to add value by sorting out those that would qualify,” VanStavern says. “What we didn’t know was how many cattle would be identified or would qualify for the brand.”

Before anyone knew those numbers, Colvin and company had to put a program in place. First came months of detailed work with lawyers, the USDA and VanStavern to translate specifications into operational procedures. Finally, 25 years ago, Val Decker Packing Co., Piqua, Ohio, became CAB-licensed and sold orders to Renzetti’s three-store chain. With then Ohio Gov. James Rhodes in the promotional photo, the sale was widely noted.

The news came to Carol Tucker Foreman, USDA undersecretary for food and consumer services, who tried to shut the brand down, alleging a consumer “rip-off.” Confiscating the USDA carcass roll didn’t quite kill the program since it was operating at such low volume. Qualifying cattle were still being identified at Decker while Colvin, Johnson and new Association Executive Secretary C.K. Allen wrote, called and traveled to Washington, D.C.

In retrospect, Colvin says it was the best thing that could have happened, because the

Brand Timeline

1984

First national conference, Saint Joseph, Mo.



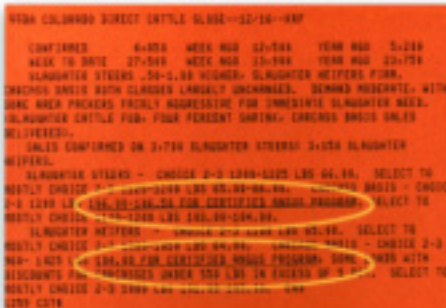
1985

First processor: David Berg & Co., Chicago, Ill.

1986

Identified 1 million Angus-type cattle per year

First packer incentives given for qualifying cattle: Litvak Meat Co., Denver, Colo.



Certified Angus Feeder Program identifies high-quality Angus cattle for sale

1987

Retail sales exceed foodservice sales

1988

Supply Development Division and Carcass Data Collection Service begin

First “Big Three” packer licensed: Excel Corp., Schuyler, Neb., plant



One-millionth carcass certified



CAB science-based specs became USDA sanctioned and ready for wider use. On April 2, 1979, USDA approved all procedures and returned the carcass roll. The news was again noted in the trade, and this time with more positive effects. Diggs Packing Co., Columbia, Mo., became licensed and sold to 12 area grocers during the next year.

Hope and pressure

Oxford Trading Co. President Charlie Robinson, Boston, Mass., read the news in *The National Provisioner*. He recalls, "I was selling Holstein [beef] then, but if any consumer has heard of any beef, I thought, it was Angus."

The article "changed the focus of Oxford Trading and my life forever," Robinson says. Although licensed as a retail distributor in June 1979, Oxford helped license the first CAB restaurant, Maple Root Inn, Coventry, R.I., the next year. Momentum was building, but not fast enough. The Association was still chipping in \$50,000 each year, and some Board members harbored strong doubts. Registrations were still lagging, and the overall farm economy looked shaky. In 1981 the Board served notice, voting to cancel the brand experiment unless it could show a profit by the following September.

Desperately casting about for

leads, Colvin snagged a big one while scanning the notes from a 1976 meeting with Marriott in Chicago, Ill. Leonard Berkowitz, a Florida professor of "hospitality management," had been there as a consultant. He invited Colvin to Miami, Fla., liked what he heard, made calls to contacts on the spot and joined the brand as a consultant.

Colvin and Berkowitz figured if they could get four key foodservice distributors licensed, they could make a profit. They went on the road the next spring, calling on targets in New York, N.Y.; Omaha, Neb.; Miami; and Chicago, where Ellard "Butch" Pfaelzer Jr. was at the helm of The Bruss Co.

Now retired and consulting in the Chicago area, Pfaelzer admits he didn't see then the impact their visit would have on his company or the industry. But he quickly saw CAB was just what Bruss was looking for. "When they showed us everything about the brand's image, the controls and USDA certification, we realized it was years ahead of anyone else and would position our company ahead of our competitors," he says.

As the Association's deadline neared, Colvin knew CAB had come far, but not quite far enough to show a profit. There

were many hopeful signs, such as licensing Beef Specialists of Iowa (BSI), the first fabricator to maintain an inventory of CAB product. Colvin knew about a lot of pending deals, like the Bruss plan to license a Shangri-La hotel in Singapore that would take the brand international.

After a passionate appeal by Colvin, the Board agreed to continue the brand. Six months later CAB recorded its first profitable month, with sales of more than 1 million lb. of product.

Supply quandary

Restaurants were licensing at such a pace that supply became a worry. Fortunately, Berkowitz had contacts at National Beef Packing Co., which operated one of the industry's largest plants at Liberal, Kan. Its license was approved in 1983, and National produced 3 million lb. of the 8.3 million lb. of CAB product sold in 1984, the first full year of profit.

Had CAB bitten off too much? Would supply flood the market and destroy profitability of the program?

"The first five years were a toss-up as for what was going to happen to the brand," says

CONTINUED ON PAGE 102

1989



"The Art of Cooking with *Certified Angus Beef*" cookbook leads chefs to the brand

First Roundup (boot camp) training for sales reps, Amarillo, Texas

1990

30% of fed-packer base processing CAB product

1991

Feedlot Gain and Carcass Contest began seven-year run at Decatur County Feed Yard, Oberlin, Kan.



10 million Angus-type cattle identified

1992

First seedstock, commercial producer and feedlot awards presented

Expanded focus on export balances carcass utilization



Nation's largest packer, IBP (now Tyson), licensed

1993

First packer grinds sold by IBP

Bob Hillier, Stillwater, Okla., who replaced Johnson on the Board in 1987 and served as chairman from 1992 to 1995. "Our problem was developing markets then, not supply. Before BSI and National, we would go harvest 100 head and then run out and sell it." Once National demonstrated the CAB Program would work in a big, high-speed plant, the future looked brighter and supply appeared to be even less of a problem.

But supply problems were brewing under the surface, Hillier knew. "You got some flak within the industry itself," he recalls.

From retail meat managers to restaurant waitstaff, foodservice salesmen to packers, brand-directed training had become a successful hallmark of the CAB Program. But Hillier noticed a rift between the growing acceptance at the trade level and producers who felt left out.

"Brent [Eichar] had come right out of Ohio State, and he was ingenious with those computer and tracking programs," Hillier says. "But we needed one-to-one producer contact in the field." It was time for Phase II. That's the name the Board used in approving the concept of CAB supply development in 1981, figuring it would follow from Phase I, brand development.

The Association had been building closer ties to the commercial industry, and when the CAB Program added a Supply Development Division in 1988, areas of cooperation appeared (see "The Road Ahead, the Road Behind," *Angus Journal*,

January 2003). John Stowell, from Bennett, Colo., and then Larry Dorsey, Gallatin Gateway, Mont., headed the supply development effort, which focused on genetic improvement. They worked in concert with the Association to increase participation in evaluating sires for end product merit.

It would take many more years to build ownership among Angus producers, so that they could explain the market-driven program to their customers. Predominant black hide was only the first door to the brand; focused Angus genetics were required to achieve significant CAB acceptance. Few producers would care until premiums were widely available.

Building the base

With producers engaged, Hillier and Colvin focused on licensing one of the "Big Three" packers. Their inquiry was well-received at Excel Corp., which was licensed three days after a visit in late 1988, Hillier says.

"It nearly doubled our supply," Eichar says. "The increase was much bigger than when National came on, but we had grown so that the percentage growth wasn't as sharp." Again, synchronized growth in sales, made possible by the assurance of product availability, absorbed the supply over time. In 1990 CAB had licensed 30% of the nation's fed cattle processing.

When the nation's largest packer was licensed in 1992, Eichar heard the familiar warnings. "Gosh, if you license IBP (now

Tyson) and double supply again, you're really going to become a commodity product."

Skeptics saw CAB as a niche product with limited demand. After ConAgra Beef Co. (now Swift & Co.) was licensed in 1995, the brand enjoyed the mainstream status of working with more than 80% of the packing industry. In recent years, licensing three plants in Canada has brought CAB to a similar position north of the border.

Board members say it took a long time to fill the broad pipeline. "When you could get the specs out of the commodity supply, we weren't seeing the premium," says Bill Davis, Sidney, Mont., whose father, Dale, was on the Board during CAB's formative years. "But as demand increased and finally exceeded supply, it was a huge milestone. It showed in the premiums we started to get."

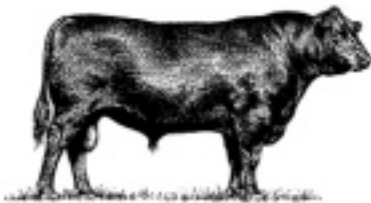
Association Executive Vice President John Crouch says CAB's first impact on seedstock sales came in 1988, shortly after the first CAB premiums were reported. With the new focus on high-quality beef, "we saw a tremendous resurgence of interest in evaluating seedstock for carcass traits," he says. "Breeders who had never sold any cattle on carcass merit all of a sudden were being asked for information."

Steve Brooks, Association president, Bowman, N.D., noticed the requests for data his family had been collecting since 1980. "It really hit home in 1995 because it was the first time we had the opportunity to lease bulls to the major AI (artificial insemination) studs based on their carcass merit."

Brand Timeline

1994

Cattle-Fax identifies that CAB brand contributes \$354 to the price of an Angus bull



Value-added Products Division formed



1995

More than 1 billion lb. sold to date

Monfort (Swift & Co.) licensing brings potential to 70% of fed-cattle base



First licensed burger chain: Blake's Lotaburger, Albuquerque, N.M.



1996

First value-based grids identify packer premiums

First heat-and-serve entrées: RMH Foods Inc., Morton, Ill.



1997

Marketed 1 million lb. per working day

First restaurant chain licensed for deli: Mr. Subb, Cohoes, N.Y.

www.certifiedangusbeef.com Web site introduced

Mark Gardiner, Ashland, Kan., had also focused on carcass merit for years. A founding member of U.S. Premium Beef (USPB) in 1996, he says the cooperative made a big difference in the market and in attitudes. "Before, our customers felt they were not being paid directly for marketing CAB-type cattle," he notes. USPB's industry-leading CAB premiums pressured all packers to ante up so that customers would have market opportunities, he says.

"Through the evolution of CAB and the market power it has gained," Gardiner says, the brand stands alone. "It became what the founding fathers envisioned, a standard of excellence that has put millions and millions of dollars into producers' pockets. USPB alone has paid more than \$17 million in CAB premiums."

The multi-packer brand

Collectively, CAB-licensed packers were paying more than \$25 million in annual grid premiums for the brand by 2000.

"Each time it took a leap of faith to bring the big packers online," Eichar says. "But today one of the most valuable things we bring to a retail or foodservice licensee is the opportunity to seek product from multiple suppliers to fill an ad or menu. If they have a specific trim or other feature they have worked out

Producers, packers, distributors, retailers and restaurants are concerned with their own reputations, brands and bottom lines. But they continue to cooperate on the CAB team because it makes them money.

with a certain packer, they're going to be able to get that with the CAB line — and not have to change packers. Producing all the items in all the plants truly gives our brand a selling advantage."

Sellers of finished cattle can deal with several licensed packers paying premiums on competing grids. "Over those years of rapid growth, when we were licensing more facilities across the packing segment, we built the base for those premiums," Eichar says. "It's the competition on a grand scale that Mick [Colvin] envisioned."

Each segment looks after its own

interests. Producers, packers, distributors, retailers and restaurants are concerned with their own reputations, brands and bottom lines. But they continue to cooperate on the CAB team because it makes them money.

Excel Corp. President Bill Buckner wrote in a congratulatory letter this summer that CAB has "set the standard of what a brand should be. At Excel and Cargill Meat Solutions, a brand is delivering on a promise, and [CAB's] exacting specifications have allowed that brand to consistently deliver. The move to branded beef, away from commodity beef, has been a critical factor in the increase in beef demand."

Bob Norton, CAB Board chairman, CEO of BioZyme Inc. and once head of CAB-licensed packing company BeefAmerica Inc., says CAB's quality-assured product and marketing programs turned the tide. "CAB has been able to leverage few dollars into effective marketing that compares with a product rollout at Procter & Gamble, where they spend \$100 million to introduce a new line of toothpaste."

Success will bring more competition, but "there is no single processor on the planet with the marketing effort CAB devotes to being the Angus category leader," Norton

CONTINUED ON PAGE 104

1998

First consumer ad campaign, *Life Can't Have Too Much Flavor*, debuts in Houston, Texas, and Jacksonville, Fla.



First menu designed: Charlie's Chop House, Southgate, Mich.



1999

First licensed feedlot: Triangle H Grain & Cattle Co., Garden City, Kan.



Line-item licensing gives restaurants more flexibility in CAB offerings



2000

First packer licensed in Canada: IBP-Lakeside, Brooks, Alta.



10 million Angus-type cattle identified per year

says. “All have sales efforts in retail, foodservice and international, but none go far beyond that, like we do with public relations, graphic design and attention from staff to the customers’ business.”

Working with dozens of packers and fabricators, CAB became a leader in adding value to each animal, Brooks says. “The value-added products started using more of the chuck, which resulted in a higher percentage of the carcass being marketed as CAB. With a variety of CAB products out there, people discovered there was a difference in quality. Just because it was convenient did not mean that it had to be poor flavor or bad quality.”

CAB president Jim Riemann explains, “Sales of value-added products and ground beef help make our brand more profitable for packers. As we make it possible to sell more of the carcass as *Certified Angus Beef*, it makes it possible for them to pass more premiums back to producers.”

The legacy

Roy Wallace, vice president of beef programs for Select Sires Inc., began buying bulls 36 years ago. “When CAB started there were very few people who even looked at carcass information,” he says. “Starting about 10 years ago, there’s been increased interest in marbling and cutability, but only by producers who own their cattle all the way through to slaughter. Grid premiums were put in place to reward producers for raising cattle to fit into specialty programs. Those who want to be

rewarded are the ones after bulls with carcass merit.”

The cattle industry is always changing, but trends don’t develop overnight, Crouch says. “We are fortunate to be associated with a breed that excels in reproduction, early growth, maternal ability and end product quality. We are four times larger than our nearest breed competitor because we have been successful in creating a market for our end product.”

Since those inquiries 15 years ago, the trend has accelerated with access to ultrasonography. “Genetic values for composition are no longer a nicety, they are a necessity,” Crouch says. “Commercial producers are participating in programs to track cattle and to get that carcass information back. They know they can get paid for the genetic goodness that these cattle carry.”

The CAB Feedlot-Licensing Program (FLP) was set up in 1999 to help oversee production on representative groups of Angus-type cattle, says John Stika, supply development director. “We can’t own cattle, and our licensed feedlots can’t feed them all. But by working with Angus producers and this network of feedlots, we can gather information that will influence 100% of the cattle.”

Premiums provide the incentive for producers of Angus-type cattle to move from the average of 17% CAB acceptance to 50%, Gardiner says. CAB has been constrained in

marketing because of uncertain supply, he says. “I think 50% acceptance is attainable, and it’s important for us to have the products to compete with other markets and proteins. We know what the consumer target is. Now we have the information and tools to create those cattle.”

Seedstock producers must show leadership in advising bull customers, many of whom are part-timers, Norton says. “We need to be more involved in their future, and help them understand the importance of aiming for the CAB standards.”

Because of the brand’s efforts, VanStavern says, “Angus cattle are better because they are produced with the consumer in mind. Producers have realized that they are in the beef business rather than the cattle business. And packers have come to realize they can separate product into specific levels for specific markets, right on through the chain to the retailer and foodservice.”

Hillier says CAB led producers to focus on the upper end of the market, which led to value-based price discovery and a recovery in consumer demand. “The whole industry owes a debt of thanks to CAB for pulling a thorn out of its paw.”



Author’s Note: Margaret Cook, Crystal Meier, Deanna Scrimger, Eileen Keller, and the CAB Marketing-Communications Division contributed interviews and research for this article.

Brand Timeline

2001

First major packer offers CAB Prime: National Beef Packing Co.



Urner Barry Publications Inc. publishes its first CAB Market Report in its daily insider’s newspaper, *Yellow Sheet*

2002

Suppliership at 2002 Olympic Winter Games in Salt Lake City, Utah, leads the brand to a world stage

“Mouthwatering” ad campaign and *Angus beef at its best™* tagline debut



Waldorf-Astoria, New York, N.Y., licenses for CAB Prime

2003

Prime deli meats introduced: Levonian Bros., Troy, N.Y.



Swift & Co. establishes premium grid specifically for CAB

